University of Strathclyde
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AN ANALYSIS OF THE ANTECEDENTS AND CONSEQUENCES OF ENTREPRENEURIAL FAILURE ON THE PORTFOLIO ENTREPRENEUR

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This thesis is the result of the author's original research. It has been composed by the author and has not been previously submitted for examination which has led to the award of a degree.

Signed: James E. [illegible]

Date: July 10, 2009

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ABSTRACT

Despite a recent surge in research investigating portfolio entrepreneurs, entrepreneurial failure, and learning from failure, there is remarkably scant research exploring the effect of failure upon portfolio entrepreneurs and the firms remaining in their portfolio after a failure. An important theme within the entrepreneurship literature focuses upon "past experience" or "prior knowledge". This may at times include failure, but rarely does it include portfolio entrepreneurs. Thus, the overarching goal of this thesis was to examine the effects of the business failure specifically on the portfolio entrepreneur, the surviving businesses, and their ability to continue to perform as a business creator after the failure.

In order to fully understand and explore the objectives, a qualitative, multiple-case study methodology was utilized with the unit of analysis being both the entrepreneur and the business portfolio. This choice allowed a comprehensive insight into the individual and the firm. The sample comprised five portfolio entrepreneurs, all of whom had experienced at least one failure in their career. Data sources included interviews with the entrepreneurs and, where possible, with their employees, managers and family members, as well as public record searches.

Despite the subjects coming from a diverse background and having little or no business association with each other, the findings showed remarkable consistency across the case studies. They are more concerned with their own personal achievement than they are about praise or financial gain and all shared a high need for accomplishment. As the entrepreneur's aged, their desire to build new firms seemed to diminish. One of the major causes of failure among the entrepreneurs is attributed to a lack of attention to their own business. Each of them stated they lost interest in the failed firms prior to the failure event, and as a result they did not attempt to save the failing firm, but were, in fact, relieved when the firm finally ceased to exist. Most chose to close their firms in lieu of attempting to locate a suitable purchaser.

On a more positive note, several findings surfaced concerning the uniqueness of a portfolio entrepreneur. They possess an ability to learn from their failures as well as their successes. They build firms because they excel at opportunity recognition. They see opportunities where others see problems. They remain optimistic, and are not scared of risk, and finally, when failure does occur within the portfolio entrepreneur's firms, there is regret at losing a firm, but overall the business person is relieved to have discontinued what they perceive as a losing proposition, and will immediately begin searching for new and better opportunities.

Additional research is indicated by this thesis and includes learning from failure, entrepreneurial intentions, and the effects of failure on firms that remain in a portfolio after a closure. It is hoped that future investigations will result in an increase in a methodologically oriented view of portfolio entrepreneurs, and will ultimately provide a positive augmentation in studies that pertain to portfolio entrepreneurship and failure.

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CHAPTER 1

INTRODUCTION: FAILURE AND THE PORTFOLIO ENTREPRENEUR

1.1 Introduction

Despite extensive research that has focused on entrepreneurship, the subject of failure has only recently started to command serious research attention (Watson & Everett, 1998; Cannon & Edmondson, 2005). As such, failure is a new subject for entrepreneurship scholars, and one that can be explored in many different ways (Babbie, 1990; Tesch, 1990; Wolcott, 2001; Creswell, 2003; Davidsson, 2004; CSU/Institute, 2007). One approach to examining the subject of failure is to examine the failure process through the lens of the portfolio entrepreneur – individuals who have demonstrated their abilities to start businesses many times and who see entrepreneurship as a lifelong career rather than as a single business event. Such individuals have experienced success, yet many may have experienced business failure during their entrepreneurial careers. Analyzing those experiences of the failure process may offer beneficial insights for less experienced entrepreneurs.

1.1.1 Motivation for research

"The literature on business failure is surprisingly limited" (Mason, Carter, & Tagg, 2008b, p. 5), and even though literature concerning failure, in general, is more prevalent, there is almost no research concerning the portfolio entrepreneur and failure. The limited prior research in the subject of portfolio entrepreneurial failure may be due to the sparse number of empirical studies of portfolio entrepreneurs, hence a lack of data concerning the subject of failure. The majority of the methodologies utilized up to now amount to reviews of the existing literature, all of which have called for more empirical type studies (Aldrich & Martinez, 2001).

Many studies allude to entrepreneurial experience as an important element in the success of a venture (Iacobucci & Rosa, 2003; Rerup, 2005; Schutjens & Stam, 2006); however, the conclusions regarding the role of prior experience are often unclear. In one of the few papers written on portfolio entrepreneurial failure, Rerup (2005) sought to discover what strategies habitual entrepreneurs utilized to improve their ability to succeed in future ventures. His paper argued that mindfulness of previous experience is necessary when exploiting future opportunities. His data source was past literature, including studies on habitual entrepreneurship and learning. A second paper that dealt with habitual entrepreneurship and failure was offered by Shepherd (2003), who argued that entrepreneurs grieved at the loss of their businesses, and that this, in turn, would assist them in learning from their prior mistakes. He refers to a process of restoration orientation (p. 322), which allows an individual who has experienced a failure to distract themselves in a way that enables them to speed their own recovery and move on to new ventures. His source of material for this paper was psychology literature on grief and emotions, a subject he chose to explore in order to gain a reflective understanding of the ability of entrepreneurs to learn from business failure (Shepherd, 2003).

Based on the lack of previous literature on the subject of portfolio entrepreneurial failure, the overall purpose of this thesis is to discover (i) how failures in a business owned by a portfolio entrepreneur affect that owner, (ii) whether the failure is a deterrent to their future attempts at starting another business. Germane to these purposes, the over-arching goal of this thesis is to examine the effect of a business failure on the habitual entrepreneur, with emphasis on the portfolio entrepreneur, the surviving businesses, and their ability to continue to perform as a business creator after the failure. Exploring these issues requires that we first have a thorough understanding of what the portfolio entrepreneur is, and second, what constitutes failure.

1.1.2 Portfolio entrepreneurs

According to various studies, there are several categories of entrepreneur (Kolvereid & Bullvag, 1993; Westhead & Birley, 1993; Westhead & Wright, 1998b). The one chosen for examination in this thesis is the portfolio entrepreneur. This group is characterized by their ownership of two or more businesses at any one time. A more formal definition follows:

> "Portfolio entrepreneurs are individuals who currently have minority or majority ownership stakes in two or more independent businesses that are either new, purchased and/or inherited" (Westhead, Ucbasaran, & Wright, 2005b, p. 73).

Alsos and Carter (2004, p. 1) identified an additional characteristic that sets the portfolio entrepreneur apart from other types of entrepreneur, "the main differentiating feature of portfolio entrepreneurs is that they retain their *original business* while starting other ventures" [italics added]. This contrasts with other habitual entrepreneurs, who are also multiple business owners, but start and exit from their business ventures sequentially, never owning more than one (Hall, 1995). As this thesis will argue, portfolio entrepreneurs deserve to be in a class by themselves. There are many studies concerning the portfolio entrepreneur, but few have undertaken the task of discovering why, in the face of failure, these business owners can overlook their mistakes, perhaps learn from their failures, and move on to establish more business ventures.

Habitual entrepreneurship was first identified by Oxenfeldt (1943) who discussed why a person became an entrepreneur and outlined a type of entrepreneur who closes one business to start another. There was very little development until MacMillan (1986) identified the importance of habitual entrepreneurship and the characteristics of the portfolio entrepreneur. This is considered by many as the starting point of contemporary research interest in what later became known as portfolio entrepreneurship. Much of research that followed centered on the personal characteristics of the entrepreneurs. The characteristic perspective took new direction when Gartner (1989) stated that in lieu of characteristics other, more important, facets should be studied. This did in fact, open doors to new research that included opportunity recognition, behavioral analysis, the social and cognitive processes, and the entrepreneurial processes in lieu of the typical characteristics being utilized to differentiate entrepreneurs (Bygrave & Hofer, 1991; Shaver & Scott, 1991).

1.1.3 Failure

The other subject selected for analysis in this thesis is business failure. Many different definitions have been proffered on business failure, but for this thesis, the definition indicated is "failing to make a go of it", which includes bankruptcies and receiverships and also closures of businesses which cease operations prior to bankruptcies due to losses (Mason, Carter, & Tagg, 2008b). As long as there have been businesses, there has been failure, but it was not until Mansfield (1962) issued a plea to encourage studies of the birth, growth, and death of firms that studies concerning entrepreneurial failure began. But, absent from the ensuing studies is research about the portfolio entrepreneur and the personal implications of the failure or threat of a business failure. This gap in failure studies will be closed by the research presented in this thesis.

Failure in business has been perceived as inevitable and just part of being in business. As Cope et al observe, "failure is an inevitable outcome of entrepreneurial activity and not all businesses will succeed" (Cope, Cave, & Eccles, 2008, p. 8). Studies of failure cover a wide range of subjects from examining what causes failure, how we can cope with failure, what one can learn from failure, whether gender plays a role in failure, and how to recover from failure. Regardless of the cause, the consequences of failure can be catastrophic. Financial capital is lost, employees lose their jobs, and sometimes it results in humiliation for the owners to the point that they might never again attempt a business venture. If our knowledge of entrepreneurial failure is to be comprehensive then future studies must include the portfolio entrepreneur and the ability of these habitual business builders to survive failure and to continue to establish new and better firms following their own failure event.

1.1.4 Research questions

One must question whether portfolio entrepreneurs are impervious to the failure state of mind and whether they will continue to open new firms with little regard for their past failures. If this orientation is correct, why in the face of failure do some portfolio entrepreneurs continue to thrive and open new firms? Have they learned something from their failures that others do not have the ability to understand? Does the existing empirical research on failure have the ability to explain the portfolio entrepreneur and their perception of failure? This thesis will explore those questions, and through the use of one-on-one case studies, background investigations, and research of existing literature, discover the answers to these previously unanswered questions. The following section will outline the research aims and objectives of this thesis in an effort to answer these questions.

1.2 Research aim and objectives

The overarching goal of this thesis is to examine the effects of business failure on the portfolio entrepreneur, the surviving businesses, and their ability to continue to perform as a business creator after the failure. Based on this goal, the following research objectives were formulated for study:

1. *To explore the characteristics of the portfolio entrepreneur and the businesses involved in a failure.*
2. *To explore the entrepreneur's motivations for multiple business ownership and the relationships that exist between the various businesses that the entrepreneur has started.*
3. *To explore the entrepreneur's perceptions of the antecedents and causes of the businesses failure and to examine any exit strategies deployed by the entrepreneur to divest the failed business.*
4. *To explore the managerial issues that arise from the failure and the effect of the failure on the entrepreneur and the remaining enterprise.*
5. *To examine the consequences of the business failure on the future entrepreneurial plans of portfolio entrepreneurs.*

1.3 Philosophical approach to the study

The epistemological position adopted for this study is post-positivist. The post-positivist approach is utilized on account of its capacity to assist in developing the most appropriate methodology for the study. By using this method, one can take the differing viewpoints and opinions of the portfolio entrepreneurs, and through the use of triangulation, create an understandable and factual set of conclusions. As a consequence, inductive approaches, where observation can lead to theory development, are the most appropriate. In keeping with this philosophical posture, qualitative methods are utilized, whereby the experiences of the entrepreneurs can share their knowledge, which may subsequently lead to development of theory and propositions for further research. This methodology is linked directly with post-positivist critical realism which argues that the ultimate goal of science is to remain steadfast in the pursuit of getting it right about truth (Bhaskar, 1998). As a result of this, a multiple case study method was utilized.

According to Eisenhardt (1989b), when one utilizes a multiple case study method, there is no theory to prove or disprove at the beginning of the research; it is an attempt to discover previously unrealized knowledge. In this case, the desired knowledge was how failure affected the portfolio entrepreneur and their associated businesses through the study of the characteristics shared by the entrepreneurs, and how they differed according to each entrepreneur's circumstances. The static information captured by using this particular ontology revealed relevant concepts, relations, attributes and instances of a particular realm. The ontological approach of this study was critical realism which prescribed a method of social scientific investigation that identified the various mechanisms portfolio entrepreneurs utilize to adapt themselves and their organizations to failure.

Critical realism was proposed by Bhaskar (1978, p. 14) who argued that reality could be separated into various realms. Two of these were the empirical realm and the actual realm. The empirical realm is the experience area. In this study, this consists of the events that have occurred in the life of the entrepreneur as observed through their own eyes. This empirical realm is contained within the actual realm, an area that the entrepreneur may or may not have the ability to observe in its entirety. By combining these two realms, a researcher can identify accurately the events that were occurring prior to, during, and following the failures. “Most obviously, the critical realist model sees social structures as being composed of human individuals, and as being reproduced and/or transformed by the actions of those individuals” (Elder-Vass, 2008, p. 466).

1.4 Methodology

Carter and Ram (2003) advocated the use of multiple units of analyses when conducting research into portfolio entrepreneurship. The units of analyses used in this study were the individual and the enterprise. The first step in the process was case selection and designing a range of case protocols to be used in the various studies. The protocol outline necessitated defining explicit measures that would be used in the design and data collection methodologies. Once the data collection protocol was complete and subjects were found, the process of conducting the interviews and discovery of each individual case began. At the conclusion of process, an in-depth summary report was prepared on each individual case. These reports indicated what information was obtained from the subject and how interviews with the entrepreneur added knowledge and understanding to the initial question or theory. Finally, a series of conclusions concerning the overall goal of this thesis were accrued and a compilation of findings was presented.

Based on the objectives of this study, the difficulty of obtaining information from firms and their owners, and the calls for future qualitative studies by many entrepreneurial researchers (Miles & Huberman, 1994; Rosa, 1998; Westhead & Wright, 1998b), it follows that a case study approach of portfolio entrepreneurs was the ideal method to obtain the needed information. Since a case study approach was not designed to propound theories but was intended to pose multifaceted and debatable issues, this research was intended to provide contemporary up-to-date situations and provide the basis for the application of proposals and augmentation of the information available about portfolio entrepreneurs.

1.5 Structure of the thesis

This thesis consists of nine chapters. This introductory chapter is followed by two intensive literature review chapters, one examining entrepreneurial failure (Chapter 2), and the one exploring portfolio entrepreneurship (Chapter 3). These chapters begin by defining the various terminologies that are used throughout the thesis. This is followed by the historical contexts of each, and finally a thorough assessment of previous studies and their structures. The evaluation of these subjects will include reviewing changes that have occurred as research evolved through the years. Chapter 4 provides the conceptual framework of the thesis, and is the chapter which outlines the project and justifies the manner in which it was accomplished. It is in this chapter that the structure of the entire thesis is presented. It will provide guidance through all aspects of the study from investigating general ideas to fleshing out details contained and uncovered in all parts of the thesis from the literature review through the interviews and finally through the case study preparation and evaluation. Chapter 4 provides a base on which to expand existing research that has taken place in the fields of failure and portfolio entrepreneurship. The research methodologies used in this thesis are outlined in Chapter 5. This chapter discusses the methods of selecting candidates for the qualitative case study and the various approaches to research, data collection, and determination of interview style.

The next three chapters, Chapter 6, 7, and 8 comprise the case study descriptions and outline of each entrepreneur's business portfolio, their successes and failures and how the failures affected them and their ability to build new firms in the future. These chapters provide an in-depth examination of the causes of failures among the portfolio entrepreneurs and their perceptions of those failures. Managerial issues and exit strategies and their outlook of the future are examined so as to ascertain their beliefs and outlooks on entrepreneurial failure.

Chapter 9 contains the research propositions ascertained during the qualitative study process, the limitations of this thesis, implications for future research, and the final conclusions of this study. It contains the final outcomes one would seek when carrying out theory building research and will offer new insights into the field of study. Chapter 9 makes a practical contribution to current research on portfolio entrepreneurship and failure and will outline concepts which contradict or build upon extant literature. This contradiction is not designed to challenge the existing literature, but more so to create a challengeable framework that will allow future researchers a variable insight into the portfolio entrepreneur and their outlook on failure and the results failure has on their ability to function in the future.

CHAPTER 2
ENTREPRENEURIAL FAILURE

2.1 Introduction

The purpose of this chapter is to develop a logical and understandable awareness of failure, both of the enterprise and the entrepreneur. By focusing on and learning from failure, one is able to understand success, and learning from failure can advance additional improvement and development of entrepreneurial abilities (McGrath, 1999). Also, this chapter will provide a clear understanding of what is meant by the term entrepreneurial failure, the various types of failure that exist, the reasons firms and people fail, the antecedents of entrepreneurial failure and its relevance to portfolio entrepreneurship.

2.2 Definitions of business failure

As an attempt was undertaken to select a usable definition of failure for this thesis, it quickly became obvious that one must combine many differing definitions and through the process of elimination attempt to arrive at a usable meaning. Failure has been defined as the discontinuance of a business for any reason, formal bankruptcy proceedings, termination to prevent further losses, and failure to "make a go of it" (Watson & Everett, 1998). In discussing failure, Cochran (1981, p. 51) indicated one of the reasons for an inability to ascertain a definitive definition of small business failure is because there is no definitive definition that encompasses the multitude of concepts identified with small business. As a result of his study, Cochran has received credit for coining the phrase, the inability to "make a go of it" (p. 52), which he expands on by stating, "failed businesses might include those that cease operations because they fail to be competitive with alternative uses of capital and labor" (p. 52). The inability to develop a definitive definition of failure has led other researchers to conclude that failure in a general sense is always a negative event (Scott & Ritchie, 1984).

Others defined a firm as “out of business” if it could not be contacted by telephone for the second or third annual interview or as one that has filed for bankruptcy protection with a loss to creditors (Kalleberg & Leicht 1991; Perry, 2002). Stubbart and Knight (2006) carry failure one step forward in their study of the case of the disappearing firms. The premise of their work is that firms disappear. “Disappearance is conceptually broader than failure, because failure only means bankruptcy, shutdown, dissolution, or discontinuance” (p. 81). The disappearance of a firm indicates that the identity of the firm is gone even if the brand name continues to exist. Part of this could be caused by a basic change in management or ownership which would affect the identity, mission and overall, the governance of the enterprise (Stubbart & Knight, 2006). It is situations such as these that have made it difficult for researchers to identify failed firms and their specific reasons for failure.

“Failure”, according to Coelho and McClure (2005, p. 13), “may lead to ultimate success in business by economizing on resources which leads to greater efficiencies”. Entrepreneurs often carry out an exit strategy to maximize those efficiencies and redirect their use; these closures are sometimes mistakenly thought to be failures (Headd, 2003). A healthy economy requires pruning and the termination of uneconomic activities. Bankruptcy and failure are ways to prune under-performing business enterprises from the economy” (Coelho & McClure, 2005). Business dissolution, according to the United States Small Business Administration (1996), consists of business failures, business bankruptcies, and business terminations. They state:

> “A business bankruptcy is a legal recognition that a company is insolvent -- that is, it cannot satisfy its creditors or discharge its liabilities. Therefore, the company must restructure (Chapter 11) or completely liquidate (Chapter 7)” (p. 7). “A business failure is defined as an enterprise that ceases operation with a loss to one or more creditors” (p. 8), and business termination is “when a firm terminates operations, that is, ceases to employ people” (p. 9).

Utilizing the various definitions offered, one could define failure rather broadly. It could include ceasing to exist, a change in ownership or closure of a business, bankruptcy, ceasing operations to limit losses, and finally, failing to reach financial goals. This approach would seem to be appropriate and would provide an all encompassing definition; however, there would be numerous problems associated with such a definition as it pertains to the discontinuance of the enterprise. When one uses the term failure, it carries with it critical or negative connotations which would imply that the owners erred when creating the firm or the management functions were insufficient to obtain success. It is also assumed; because a firm fails it has left behind significant debts. Storey (1994) argued that the term failure is often used to describe a failed or closed business simply because it is easier than describing what actually happened to cause the business to discontinue operation.

Mason et al (2008a) have undertaken the task of combining the variety of definitions offered by researchers and have generated an explanation that condenses a myriad of work into one paragraph, stating businesses who have suffered a loss leave customers or suppliers unpaid, leading to the possible personal bankruptcy of the entrepreneur and could ultimately affect their personal assets. This is not to say that all failing businesses leave behind unpaid debts, as some owners discontinued their operations voluntarily in order to avoid further losses and potential bankruptcy of the firm or for themselves personally.

> '…limiting failure to bankruptcy, or even to going out of business with losses to creditors, seems to exclude too much. Intuitively, failure should mean inability to "make a go of it", whether losses entail one's own capital, or someone else's, or indeed, any capital' (Cochran, 1981, p. 52)

Information provided enables one to make a distinction between a voluntary closure and a failed business. Business failure will be based on the definition offered by Mason et al and by Cochran, and will include bankruptcies and receiverships but will also include closures of businesses which cease operations prior to bankruptcy caused by their losses, what has been termed 'failing to make a go of it' (Cochran, 1981, p. 52; Mason, Carter, & Tagg, 2008a). In addition, "failed businesses might include those that cease operations because they fail to be competitive with alternative uses of capital and labor" (Cochran, p. 52). Therefore, for this thesis, failure shall include closure of one's firm as a result of a bankruptcy or receivership, a closure prior to bankruptcy to avoid further losses, or an inability of the firm to operate in a manner which would enable the firm to produce sufficient capital in order to remain viable as a firm.

2.2.1 Small and large failures

Failure studies of the firm have traced some causes of failure to both small and large issues. Baumard and Starbuck (2005) state large and small are "relative concepts" (p. 285) in that small failures are not always small, but the viewpoint of the manager plays a part in the definition. To a multinational consortium, a particular problem may seem insignificant but this same problem may be perceived as pivotal to an independent small businessperson. Even though small failures in the large firm may seem insignificant, they tend to have an effect on the firm's behavioral programs and on the manager's personal stake in the firm. Cannon and Edmonson (2005) also identified large and small failures as being two causes of business failures. The small failures can include a flaw in the design of equipment to an incident involving failure to give proper guidance to employees in need of assistance. These sometimes occur as a result of the firm failing to adhere to their core beliefs. The researchers refer to small failures as early warning signs that may be the trigger to provide management with a wake up call needed to prevent disaster in the future. "Social system barriers are often the key driver of this kind of problem" (Cannon & Edmondson, 2005, p. 303).

They continue:

> "Small failures are often overlooked because at the time they occur they appear to be insignificant minor mistakes or isolated anomalies, and thus organizations fail to make timely use of these important learning opportunities. We find that when small failures are not widely identified, discussed and analyzed, it is very difficult for larger failures to be prevented" (Cannon & Edmondson, 2005, p. 301).

Large failures are commonly embedded so deeply in the failing organization that they have been ignored, sometimes for years, and by the time they are detected, it is too late to initiate corrective action (Cannon & Edmondson, 2005). The large failures, according to Baumard and Starbuck (2005), have been traced to mostly exogenous causes in that they create "exceptional or historical conditions or society was undergoing large, dramatic change" (p. 293). They point out the larger the failure the more dramatic and, therefore, the more affect it will have on the external elements of the firm. When a firm has survived large failures in the past, there is usually no connection with current large failures in spite of management being involved in both of the situations. Large failures often concern future projects that build up slowly over time; therefore, the cost of failure is spread over an extended period which allows it to draw less attention to the failure. They discuss "large failures as having idiosyncratic and largely exogenous causes, and the larger the failure, the more idiosyncratic or exogenous causes they saw" (Baumard & Starbuck, p. 294). Based on this finding, it can be assumed that the small failures within a company can be considered indigenous or internal while the large failures are exogenous or external.

The importance of this discussion of large and small failures is the concept of them being either internal of external. Based on the information shown in Table 2.1, the internal factors of failure include poor management, an event which occurs as a lack of managerial attention or focus. This is confirmed by Beaver's (2003) study which presented evidence that poor management is an internal problem and is a major cause of failure in a firm. One final study found that two of the four major causes of failure among firms were internal problems, or small failures, poor management function and working capital management (Gaskill, Van Auken, & Manning, 1993).

It should, therefore, be assumed; regardless the size of a problem, someone within the firm is affected. As one can ascertain from the information available, the meaning of a large or small failure is as difficult to isolate as a singular definition of failure, with scholars having many opinions. Often, words such as "exit", "failure", "closure", and "termination" have overlapping or confusing connotations. For these reasons, a singular definition for a large failure or a small failure will not be possible. For the purpose of this dissertation, any size failure will simply be referred to as a failure.

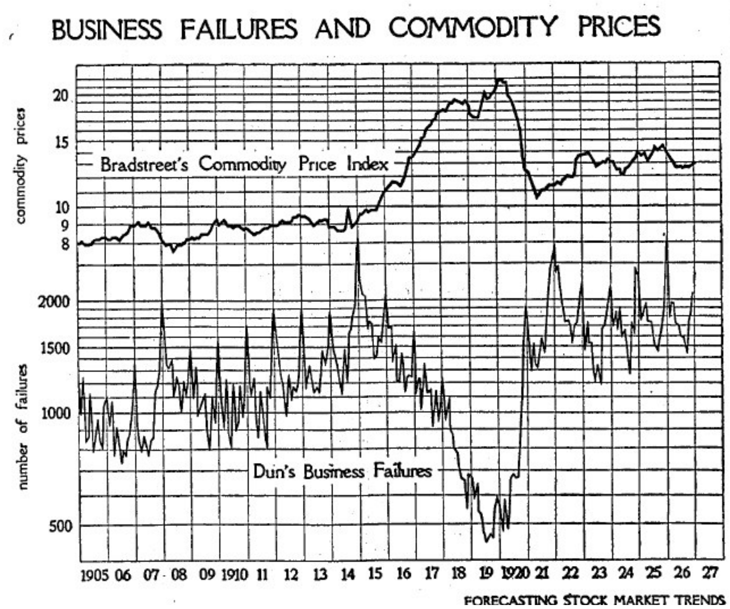
2.3 Frequency of business failure

There is a well founded history pertaining to the explanation of business failure.

> "Among the causes of failure in business, none is so common as lack of appreciation of the importance of right bookkeeping and accounting methods. Men fail in business because they never know where they stand (Richardson, 1914, p. 208). "

This statement was credited to M.L. Orear, secretary of the Kansas City association of Credit Men, and quoted in an article in Barron's in 1914. Also, in 1927, Barron's Magazine published charts that tracked failures. The reproduction of Table 2.0 is not to provide a lesson in economics or finance, but to show Barron's and other early publications were aware of the importance of the information business owners need to succeed, and they were providing that knowledge. One should notice the chart was based on Dun's Business Failures since 1905, and on Bradstreet's Commodity Prices, also since 1905. Realizing the importance of business tracking and failure, these two rivals, Dun and Bradstreet merged in 1933 to form what was known as The Dun and Bradstreet Company (Bradstreet, 2006).

Table 2.0 – Barron Magazine excerpt from 1927



Source: Van Strum (1927) reported in Barron's Magazine

A call for the investigation of failure came from Mansfield (1962), when he issued a plea to encourage studies of the birth, growth, and death of firms. It was soon after this many studies began, some of which included the failure of the firm. Early researchers found few records were maintained concerning business failures prior to World War II, but since then, information has become more available. Dun and Bradstreet, along with the United States Census Bureau, safeguard small business failure statistics; however, many of the statistics that have been kept in the past are vague, or they tend to contradict one another.

One reason for this imprecision and the difficulty in pulling together accurate information is there has never been any formal reporting requirements for the majority of small business failures other than bankruptcies; therefore, it is virtually impossible to accurately measure the number of business failures which occur each year. This lack of reporting requirements has convoluted many past studies from both the United States and the United Kingdom (Watson & Everett, 1998, 1999; Headd, 2003; Watson, 2003). Researchers must depend on bankruptcies, or the failure to pay taxes, or failure to answer the telephone, for their data. Some researchers have indicated that this gap in statistics, particularly in the United Kingdom is a major difficulty in studying small business (Bannock & Doran, 1980). Once a firm discontinues operations, information about the termination of the business resides with the owner and there is no way to ascertain the true facts of the closure (Watson, 2003).

Headd (2003) utilized the U.S. Census Bureau's Business Information Tracking Series (BITS) to track the status of new firms. "BITS" follows the success and failure of over 5.5 million firms every year. As one examines the data Headd developed, the dynamics of failure become clear. Based on his paper, most of the failures we see in the United States come from young firms as indicated by the statistic that 50% of firms exit within their first four years of business. Other researchers have also established failure rates among small businesses. Phillips and Kirchhoff (1989) found 39.8% of firms will survive six or more years. According to Headd (2003), and Phillips and Kirchhoff (1989), using Dunn & Bradstreet data, they found 76 percent of new firms were open after two years, 47 percent after four years and 38 percent after six years. "These rates are substantially different than what is still commonly believed" (Headd, 2003, p. 52) and what is continually being spread through rumors.

Timmons and Spinelli (2003), using BizMiner 2002 statistics, report that 46.4% of all ventures started in 1998 had failed by 2002. Statistics from the restaurant industry vary somewhat from general industry reports. Parsa, et al (2005) discovered 26 percent of independent restaurants failed within the first year with a cumulative total reaching 60 percent in three years. Another study, by Liu and Pang (2004), has also shown firms are most likely to stop working within three to five years of being incorporated.

It is not surprising statistics for failure are difficult to obtain and even harder to validate. Headd (2003) refers to a falsehood that concerns the failure rate of new businesses in the United States. "Phillips and Kirchhoff (1989) mentioned the myth of nine out of ten new businesses closing in their first year" (p. 53). The author of this myth continues to be unknown, but the United States Small Business Administration receives calls every year from people inquiring as to the source of the "nine out of ten" rumor.

The "nine out of ten" rumor has continued to perpetuate itself mostly through the proliferation of grey documents which are written by bloggers on the internet. An example of what potential business owners face if they search for help among the bloggers is taken from a bloggers website.

> "It's common lore that 9 out of 10 new businesses fail each year. I suspect the number is much higher than that, those stats are probably gathered from tax records, and most new businesses never reach the point where people claim them on their taxes. The odds are probably closer to a thousand to one. There's good reason for this - starting a new business is much harder, more time consuming and expensive than most people think. We pin our hopes and dreams on our ability to beat the odds, and we mistakenly believe that starting our own business will be easier or more enjoyable than working for someone else. For 999 out of 1,000 people, this simply isn't true" (Wieczorek, 2006).

One must question whether reports of failure are hurting the surviving entrepreneurs who are subjected to them. Some researchers indicate failure is sometimes good for the individual and possibly the local economy in that the educational benefits which accrue from a failure by an entrepreneur may sometimes outweigh the cost to society of the failure (Zacharakis, Meyer, & DeCastro, 1999, p. 2).

Based on all of the possibilities shown, one must consider whether there are any clear answers concerning failure. Only the available data can be used to ascertain the true reason for a failure and, at times, this information is sketchy or completely unavailable. According to Watson and Everett (1998), if a firm is able to overcome the threat of failure in the first few years, its survival is enhanced and it's chance of failing are reduced significantly.

2.3.1 External economic variables on small business failure rates

A substantial portion of this chapter will be devoted to the causes of failure, exogenous (external) or endogenous (internal) in an attempt to determine the importance of each as it pertains to business failure. Watson and Everett (1998) presented research which followed this same line of research. Data in their longitudinal study was provided by managed shopping centers. The authors chose this due to the management of the shopping centers keeping detailed records on their past and present tenants. "This allows center managers to provide an unbiased and consistent opinion on the primary reason for a business being sold or ceasing to operate" (Watson & Everett, 1998, p. 374). A problem that may arise in this type of study is the information being supplied to the researchers is to some extent secondhand. The managers of the centers may have a differing opinion of the failure than that of the owner or manager of the business. As long as only one opinion, and in this case that of the center management is utilized, this should not pose much of a difficulty.

The data furnished to the authors contained information on 5,196 start-ups that occurred between 1961 and 1990. During the span of the study, almost 50% of those new businesses were sold or liquidated. The authors did an exhaustive examination of each of the closures to determine the cause of the failure. Bankruptcies accounted for 3.4%, trying to avoid further loses was 8.0%, and did not make a go of it was 5.1%. The most prevalent reason for a sale or closure was to realize a profit at 17.6%. Retirement or ill health was 2.4%, and other or unknown reasons accounted for the remaining numbers. In all, 48.9% of the businesses closed or were liquidated (Watson & Everett, 1998).

Watson and Everett's conclusions indicated failures vary significantly with age and the length of time the business was viable. For the firms that filed for bankruptcy protection, the long-term interest rate was the only important systematic variable. When a broader definition of failure was used, then unemployment, interest rates, and other macroeconomic variables became a factor. There are two noteworthy results from this study. One, macroeconomic factors are not always the reason a firm fails, but serve more as a “trigger” for the owner to use to discontinue operations. Two, business owners time their departure from business when the economy is on the upswing and their exit is timed to best take advantage of existing positive economic conditions. This would indicate in times of positively increasing economic activity, there will be an increase in business failures. Schumpeter (1950, p. 90) refers to the event of exiting in his book when he states:

> “There is certainly no point in trying to conserve obsolescent industries indefinitely; but there is point in trying to avoid their coming down with a crash and in attempting to turn a rout, which may become a center of cumulative depressive effects, into orderly retreat”.

2.3.2 Internal variables affect on small business failure rates

According to Choo (2008), epistemic blind spots and risk denial are two of the impairments that cause disasters to occur in business. Epistemic blind spots are defined as warning signals that are ignored since the information does not agree with the entrepreneurs existing beliefs or because the entrepreneur does not have a frame of reference needed to recognize the signs. Risk denial is defined as warning signs and actions that are not believed due to the priorities and values that are present and influence the interpretation of the signs; therefore, no action is taken (Choo, 2008).

In a study of the apparel and accessory retailing industry by Gaskill, Van Auken, and Manning (1993), the authors stated that in order to fully understand the factors affecting failure, one must also understand the factors affecting success. Unlike the previous study by Watson and Everett, which covered a broad array of business types, this study was focused on a specialized industry. The firms in this study all share several common exogenous factors, which will, by its very nature, make the findings more controlled and concise.

Firms in the apparel and accessory retailing industry that failed between 1987 and 1991 were the target data providers for this study. For the purpose of this study, the authors defined failure as a need to sell the firm or to liquidate in order to pay off their creditors, in general an inability to make a profit. They utilized the Iowa Department of Revenue sales tax rolls and the World Chamber of Commerce Directory to obtain the addresses of the Chamber directors in Iowa in order to write them and request names and addresses of failed firms. The search produced 182 firms of which 130 closed due to financial problems. This became their target for accumulating data.

Letters were sent to the 130 business people with 91 responding, a response rate of 70%. Follow-up telephone interviews and questionnaires were utilized with the firms who indicated that they failed due to financial reasons. The written instrument utilized a Likert scale from one to five for each question showing the extent to which the issue contributed to the failure. Using the multivariate statistical technique, factor analysis, the authors reduced a large number of questions concerning failure to a smaller number of very basic factors. A large amount of statistical data was given with demographics covering all ranges, such as profit, age, gender, growth rate, and many other items. The final conclusion of the study found the reasons for failure clustered into four main areas:

1. Poor managerial function
2. Working capital management
3. Competitive environment
4. Growth and overexpansion

As one can see from this, most of the failures in this study are attributed to internal factors. The findings by Gaskill, et al (1993), are contrary to the findings of several other researchers, such as Watson and Everett (1998) , Liu and Pang (2004), and Millington (1994) who have attributed failures to external sources. The authors do make the case there are both internal and external factors at play, but their number one finding is a lack of managerial function, an internal problem.

2.4 Reasons for business failure

In order to understand success in business, one must first have an understanding of entrepreneurial failure. Why a firm succeeds in business is more difficult to ascertain than why one has failed. The study of failure in a firm has proven to be a powerful tool for defining the methods used by entrepreneurs in their efforts to find success. Therefore, in order to fully explore the reasons some entrepreneurs are successful while others fail, one must understand failure, and, in order to achieve that, research must be undertaken to define entrepreneurial failure. This section will explore the various factors involved in understanding entrepreneurial failure.

2.4.1 Lack of outside assistance

In a paper presented by Watson (2003) at the Sixteen Annual Conference of Small Business Associations Australia New Zealand 2003, he defined failure, but also explored the concept that failure in small firms is often attributed to the error of the leadership not going outside of their firm and seeking the advice of trained professionals. These professionals are accountants, lawyers, bankers, and others who may have been able to assist the small business owner in their quest to be successful. In his presentation, Watson pointed out investigation into this premise has been limited up to this date, and he says SME's must go outside to seek reliable advice in order to survive.

Other researchers (Lussier, 1995; Barker, 2005) offer the same guidance to managers and entrepreneurs that must go outside their own firm for advice on what they consider to be a major problem. Often, viewing a problem within their own establishment is impossible due to difficulty in viewing the organization objectively (Lussier, 1995; Barker, 2005). As one attempts to rectify problems for their firm by getting outside help, caution must be exercised as external advisors will on occasion recommend actions that will serve their own interests over the interests of the firm who has hired them. It is useful to note situations like this never seem to surface after successes but always become apparent after a failure (Baumard & Starbuck, 2005, p. 296).

2.4.2 Internal and external factors

Since many articles (Gaskill, Van Auken, & Manning, 1993; Zacharakis, Meyer, & DeCastro, 1999; Barker, 2005) on failure refer to both internal and external factors involved in failure, it is useful to have a clear understanding of what underpins these dynamics. The European Federation of Accountants (2004) has issued a guide for SME's to aid in their quest to avoid failure. In the guide, they set out the various factors that constitute both internal and external failure. The information shown in Table 2.1 was created using their listed factors.

Table 2.1 – Factors contributing to internal and external failure

Internal Factors of Failure	*External Factors of Failure*
Poor management	Economy
Deficits in accounting practices	Change of buying patterns
Poor cash flow management	Decreased purchasing power of consumers
Inappropriate sources of finance	Shortage of raw materials
Dependency on customers or suppliers	Customers' strikes
Impending bad debt	Low price competitors
Overtrading	Catastrophic unpredictable events
Poor marketing and research	Governmental measures and international developments
Fraud or collusion	Environmental protection and other regulatory requirements
	Bankruptcy of main customer or supplier

(European Federation of Accountants, 2004, pp. 7 - 17)

"Decline often stems from multiple sources both outside and inside the organization that coalesce at the same time" (Barker, 2005, p. 44). All of the problems that Barker cites were covered in the report from the European Federation of Accountants (2004), but he broadened the scope of internal and external factors by showing decline often transpires due to a combination of these internal and external events. Fredland and Morris (1976) argued the causes of failure cannot be ascertained easily, and "any attempt to do so is, at bottom, a futile exercise".

Several studies (Gaskill, Van Auken, & Manning, 1993; Zacharakis, Meyer, & DeCastro, 1999; Barker, 2005) discuss the internal and external factors with no clear conclusion. In a comprehensive restaurant study conducted in Columbus, Ohio, Parsa, et al (2005) found independent restaurant failure seems to stem more from internal factors than from external events. External factors do not necessarily lead to catastrophe if management handles them correctly. "It is the individual's preparation or lack thereof that makes the difference in the severity of the impact" (Parsa, Self, Njite, & King, 2005, p. 316). Being able to handle external factors correctly may not be an easy undertaking. A study by Osborne (1993, p. 21) found many external factors are beyond the control of even the most capable entrepreneur and will trigger problems in new firms. These external factors include strong competitor retaliation, ever changing industries, loss of major customers, changes in technologies and market preferences, undercapitalization, and a reliance on unproductive or existing management. These external factors even include outside family pressure. Whether or not these external factors are beyond the control of the entrepreneurs is a subject worthy of further research and if it is found that they are in fact beyond control, what can an entrepreneur do to lessen the effect of these factors?

Zacharakis, et al, (1999) found that entrepreneurs often attribute failure to external causes such as market conditions and financial problems. They also discussed attribution theory which explains how people identify and make judgments about stimuli. This study tied the failure of the entrepreneur to external factors while attributing other people's failure to internal causes. By doing this, entrepreneurs are able to save face. They can keep their self perception as able business people without admitting defeat and would prefer to be a victim of their circumstances rather than a victim of their own doing.

Rogoff, Lee, and Suh (2004) performed a matched pair analysis that analyzed attribution theory of entrepreneurial failure. They compared a group of entrepreneurs with a group of non-business owners to confirm their theories. Their findings indicate business people do adhere to the attribution theory and blame their failures on exogenous factors while success is attributed to internal factors, such as their grand ability to operate a business. They found the attribution theory a useful means of conceptualizing the attribution of success and failure. Their study indicated 91.3 percent of success is attributed to internal factors, while 81.4 percent of failure factors are external; these statistics were according to their study group of entrepreneurs.

Rosa, Carter and Hamilton (1996) interviewed 600 Scottish and English small business owner-managers, 300 of each gender. They, too, found most business people tend to blame external factors for their possible shortcomings. The respondents were queried whether their business was in trouble or faltering. Almost 20 percent said they were. The interesting characteristic of this survey is both sexes blamed external factors, such as the recession and high interest rates that were prevalent in the United Kingdom at that time. They indicated external factors rather than accepting blame for their own internal failure. Earning and maintaining respect from one's peers is important to everyone. This is why many people display an innate dislike to admitting either privately or publicly they failed as this may jeopardize their self esteem (Cannon & Edmondson, 2005).

Contrary to what the studies have found concerning external problems, Beaver (2003, p. 120) presents research that failure appears to be primarily caused by internal or endogenous factors such as poor management within the firm. He also refers to Dun & Bradstreet research in 1991 in which the firm, without reservation, stated, “the primary cause of business failure in the USA is due to management incompetence of the business owner”, an internal problem.

Zacharakis, et al (1999), presents an argument concerning "executive limit" at which time the entrepreneur’s ability to lead the firm becomes harmful. “This ‘executive limit’ concept illustrates internal causes of failure, specifically, a management coordination and control problem” (p. 3). “The examination of the aggregate frequency of the factors finds that internal factors were cited 58 percent of the time” (p. 9). Poor management strategy is the most frequently cited internal cause of venture failure; however, the factor that is cited most frequently for complete entrepreneurial failure was poor external market conditions.

One can easily determine there is no clear and definite position available as it pertains to internal and external failure. Depending on the study, the people involved, the business type, market type, and other factors, the results are inconclusive. Some failure is internal and some is external, and this will be a subject that will continue to be investigated. Fredland and Morris (1976) argued the causes of failure cannot be ascertained easily, and "any attempt to do so is, at bottom, a futile exercise" (p. 7). The weight of research evidence in the intervening period would uphold this statement.

2.4.3 Macroeconomic factors

Failure has been approached from a macroeconomic perspective as well as utilizing internal factors (Millington, 1994; Watson & Everett, 1998; Liu, 2004). Other studies, such as Chen and Williams (1999), while not attempting to state that macroeconomic factors are the only problem associated with failure, do establish these exogenous factors, such as taxes, bank interest rates, and outstanding debt, and credit constraints play a significant role in the failure of both high-tech and low-tech firms.

Watson and Everett (1998) noted most studies prior to 1998, focused on the internal risk factors associated with business failure. Their article sought "to explore the macroeconomic impact factors on small business mortality rather than just the internal risk factors" (p. 371). Their results varied according to the definition of failure used for each unsuccessful business. When bankruptcy was utilized, the macroeconomic variables they researched showed high interest rates were a major cause of failure. This was the only type of closure that concurred with their hypothesis. When any other definition of failure was used, the macroeconomic variables were not to blame for the failure but more as a trigger for small business owners to take the opportunity to sell or close their business. Other macroeconomic variables that were included were lagged employment rates when failure was defined as to prevent further losses and lagged retail sales. They also took into account the Consumer Price Index (CPI) of Australia, the population and overall retail sales.

Liu and Pang (2004) identified other macroeconomic variables which affect failure in a firm. These include the ability of the firm to obtain credit, their profits, inflation, and the development of new firms. However, their findings also show, not only do macroeconomic variables affect the success of the firms, but the inverse is also true, corporate failure can also affect macroeconomic variables. One of the major variables, monetary policy shocks can be an important source of instability in business failures in the period following the 1980's (p. 18).

In other words, the deregulation policy of governments alters the relationships between failure rates and macroeconomic activities over time due to monetary policy shocks. Their final conclusions restate the proposition that the failures in the U.K. economy are as a result of the problems with the Conservative Government's economic policy and the other monetary policies that have been in place in the U.K. since 1966. Millington (1994) reached a similar conclusion when he found long-term interest rates, the rate of unemployment, and inflation were all macroeconomic causes of failure.

Zahra and Neubaum (1998) in their attempt to discover how adverse environmental conditions can and do affect new business startups, found macroeconomic conditions perpetuate hostility in new firm's environment, and are composed of macro-environmental hostility, market hostility, competitive hostility, and, finally, technological hostility. Surveys were mailed to 913 firms in three southeastern states with a return rate of 27.1 percent. The data gleaned from this was only a part of the total data as results from other studies were included. Using a regression analysis, the authors were able to test the hypothesis and determine that when new businesses are confronted with adverse macro environmental hostility, they tend to adopt programs that include creation of new and innovative products and to produce better goods and services, a positive effect in the overall performance of an enterprise

2.4.4 Theories of entrepreneurship that affect failure

Two other theories in addition to the attribution theory that affect the ability of an entrepreneur to succeed are the human capital theory, and the leadership theory. A study by Rogoff, Lee and Suh (2004) found attribution theory a useful means of conceptualizing the attribution of success and failure. Success should be attributed to the entrepreneur while failure is caused by everything but the entrepreneur. In the human capital theory, success is dependent upon the personal characteristics of the individual. Skills such as dexterity and judgment play a vital role in making one successful. Becker (1998) defined human capital as the total stock of abilities, skills, and knowledge one gains through education and training. As one's store of human capital grows, so does their ability to view new opportunities while capitalizing on their earning ability, and to obtain the best results their fellow workers or their employees. Successful use of human capital can enhance the abilities of an entrepreneur to the point they will find success.

Leadership theory, according to Conger (2004), indicates that the skills of leadership are obtained through experience and regardless of how the knowledge is accrued, it continues to grow. This growth will occur as a result of a combination of the mangers overall abilities and duties, all of which will make him a more successful leader. Jobs held, supervisors, and hardships in business, all contribute to a manager's ability to become a successful leader.

2.4.5 Propensity and perception of risk

It has been established that entrepreneurs engage in risky behavior (Palich & Bagby, 1995). Past literature presents two diverse views of risk. Fisher and Hall (1969) viewed risk based on the variability of the returns an entrepreneur would expect from a new venture while March and Shapira (1987) avoided the variability aspect and indicated that entrepreneurs looked at risk from the standpoint of, if this fails, how much do I stand to lose? Other literature states an entrepreneur's propensity to take risk is contingent upon their perceived level of unpredictability in their choice of firms, and following a failure event, they tend to avoid jeopardizing their future ventures due to the amount of risk they perceive (Forlani & Mullins, 2000). Regardless of the perspective taken by the entrepreneur to risk, everyone will perceive an identical risk in differing ways (Nutt, 1993); another study concluded "that entrepreneurs do not differ from non-entrepreneurs on risk taking propensity, and we find that entrepreneurs tend to assess risk more favorably" (Norton & Moore, 2006, p. 222).

Researchers (Shepherd, Douglas, & Shanley, 2001; Hartog, Ferrer-i-Carbonell, & Jonker, 2002) specified that in spite of the identified views of risk, there has been little research into how entrepreneurs view, recognize, or address the presence of risk. New venture creators do extensive work establishing an enterprise and it is reasonable to assume that they do not go into the new venture without considering the risks that are inherent in business, especially in a new firm. Shepherd et al (2001) discuss the concept of risk reduction and the complexities that follow as one considers the complexity of the industry into which the entrepreneur is attempting to go. One of the reduction methods would simply involve choosing an industry with less volatility. Perhaps an attempt at reducing risk could indicate that the entrepreneur possesses a risk aversion, or perhaps, through past experience or learning from failure, has determined that by reducing risk, their chance of survival is increased.

Aversion to risk is discussed by Hartog, Ferrer-i-Carbonell, & Jonker (2002) in a study that examined three distinct groups of entrepreneurs and their attitude toward risk. Their findings indicate that risk aversion is much lower for individuals who are self-employed and who are more highly educated. They state that this lower aversion to risk can explain a person's entrepreneurial activity and this finding agrees with work by Barsky et al and Cramer et al (Barsky, Juster, Kimball, & Shapiro, 1997; Cramer, Hartog, Jonker, & Van Praag, 2002). Another group of entrepreneurs, the inventors, create new companies around their inventions. Studies have shown that when an entrepreneur starts a firm while trying to create a new invention, their chance of survival is lessened; however, if they have already established their invention, their chance of survival is almost identical to the success rates of normal nascent started firms (Ãstebro, 1998). The researcher's conclusions as they pertain to risk in an inventor started business state:

> Conditional on starting up, invention-based businesses are no more risky than other start-ups. Similarly, conditional on reaching the market, the gross profits from innovations developed by independent inventors are quite satisfactory. Very few are unprofitable, and for

> 70% of the survey sample the gross profit margins are above 20% (Ãstebro, 1998, p. 45).

Based on the literature it would seem that when entrepreneurs choose between various options of starting a new firm, their choices are based on the differences in their propensity to risk, their risk aversions, and the expected returns that the new company can offer them. All of this would be based on their ability to understand and accept the inherent risks involved in the new venture.

2.5 What types of businesses fail?

The simple answer to this question, what types of businesses fail, one instinctively could state, all types of businesses fail; however, this chapter will reinforce the view that failures are more prevalent among certain categories of firms. Additionally, in order to have a clear understanding of what type of businesses fail, one must examine why certain businesses fail while others are successful.

Firm size, according to Storey (1994, pp. 78 - 110), is the fundamental characteristic that distinguishes success and failure. The larger the business, the less likely it is that failure will occur. In addition to firm size, the age of the firm is the second most critical aspect. "Both firm size and age are correlated with the survival and growth of entrants" (Geroski, 1995, p. 434). Other factors can influence the probable failure of a firm, and include the ownership dynamics, the sector in which the firm is operating, past performance, macroeconomic conditions, management characteristics, the location of the business, government subsidies, and the type of firm.

2.5.1 Size of the firm

Based on the importance Storey (1994) has placed on the size of the firm as a contributing factor to the potential failure of firms, and the fact that the data he utilized was based upon statistics from the United Kingdom, an analysis of the statistics from firms within the United States is warranted. Table 2.1 was created utilizing data obtained from the Small Business Administration Office of Advocacy and upholds Storey's findings that smaller firms do face a greater risk of failure than large firms. During the five-year period covered by this table 91.27% of firms created with less than 20 employees failed while 64.75% of firms created with 500 or more employees failed. This indicates that small businesses formed with less than 20 employees stood a 70.94% greater chance of failing than firms with 500 or more employees. It is apparent from these figures that size is of great importance in the success or failure of a firm.

Table 2.2 – Failure rates of U.S. businesses 2000 - 2005

Failure Rates of U.S. Businesses Based on Firm Size				
		Total firms formed	Firms with less than 20 employees	Firms with 500 or more employees
2004 -- 2005	Firm births	644,122	616,019	272
	Firm deaths	565,745	539,061	263
	Net change	78,377	76,958	9
Percentage of failure		87.83%	87.51%	96.69%
2002 -- 2004	Firm births	628,917	601,927	262
	Firm deaths	541,047	515,031	301
	Net change	87,870	86,896	-39
Percentage of failure		86.03%	85.56%	114.89%
2001 -- 2003	Firm births	612,296	585,552	320
	Firm deaths	540,658	514,565	330
	Net change	71,638	70,987	-10
Percentage of failure		88.30%	87.88%	103.13%
2001 -- 2002	Firm births	569,750	541,516	1470
	Firm deaths	586,890	557,133	355
	Net change	-17,140	-15,617	1,115
Percentage of failure		103.01%	102.88%	24.15%
2000 -- 2001	Firm births	585,140	558,037	303
	Firm deaths	553,291	523,960	452
	Net change	31,849	34,077	-149
Percentage of failure		94.56%	93.89%	149.17%
Five year total	Firm births	3,040,225	2,903,051	2,627
	Firm deaths	2,787,631	2,649,750	1,701
	Net change	252,594	253,301	926
Percentage of failure		91.69%	91.27%	64.75%

Raw data found at http://www.sba.gov/advo/research/dyn_b_d8905.pdf

As table 2.2 indicates, smaller firms have, in most cases, a shorter life expectancy than its larger counterparts. This may be attributed to the ease in which one can enter a relatively small firm. In spite of the ease of entry, the attainment of survival is not as easy. As Geroski (1995) argued, the most conspicuous result of entry into an industry that allows easy entry is a high degree of failure, chiefly based on the size of the entrants. He states that entry is simple but survival is difficult.

Survival rates among firms have a direct correlation with the size of the firm, both at start up and during the years in which the firm remains viable. This fact has been upheld in numerous studies with so much consistency that it is now considered a stylized fact (Caves & Porter, 1977; Geroski, 1995; Sutton, 1997). Examination of existing literature upholds the hypothesis that firm size is, as indicated by Storey (1994), the chief determining factor in the survival of businesses. Factors including economies of scale and profitability rates are directly impacted by firm size, and a positive relationship exists between firm size and firm profitability.

2.5.2 Age of the organization

Storey (1994) indicated the age of an organization is the second most critical factor in determining which firms fail. The newer the firm, the greater the chances it will not succeed. Several dynamics contribute to this and include a higher need for capital in order to finance additional growth, many are less creditworthy through no fault of their own but more so due to a lack of reputation, generate less profit, and lack the diversification of more mature firms (Cole, 2008). Another study (Cowling, 2004) has indicated agreement with Storey's findings by stating young firms are possibly pursuing misguided high-growth strategies. Often times, it is unknown whether this will lead to their potential demise or their eventual success (Cowling, 2004). The fact that they may be profitable or not profitable, in many firms, does not seem to be an issue; however, if they fail to achieve an above average profitability, they will fail to perform as well as firms following a more subdued strategy (Steffens, Davidsson, & Fitzsimmons, 2009).

In 2003, the median age of a firm in the United States was 12 years, an increase of two years since 1987 (Cole, 2008). Perhaps changes are occurring as entrepreneurs become more knowledgeable about their firms and more aware of the demands in business in order to find success. Researchers have suggested that firms considering substantial growth in their futures should consider the negative impact of that expansion. The most profitable years for a firm occur at a very young age, and as the firm grows older, it becomes obvious their greatest opportunities for growth had been exhausted as they concentrated on expanding their new firm. It is therefore, indicated that new opportunities may have to be found through mergers and acquisitions rather than internal growth (Steffens, Davidsson, & Fitzsimmons, 2009).

It is a fact that firms will, at some point, fail to exist (Storey, 1994). Hall (1992) offers two compelling reasons as to why businesses fail. The first is a lack of diversification in their products and services, and the second is a lack of human capital that they embody in their management. This lack of human capital ties directly in with managerial deficiencies which include a lack of management skills and a lack of the appropriate managerial training, both of which are necessary to run a successful firm. Hall (1992) found as a firm ages it becomes less likely to be able to deal with deficiencies in managerial skills. Young firms experience problems such as inadequate funding, product failure and marketing difficulties, but as the firm grows older, these problems are replaced by strategic and environmental shocks for which the firm is unable to overcome.

In closing, it is imperative to point out that Storey (1994) states that numerous characteristics of an individual entrepreneur such as age, family background, gender, previous work experience, and education are, often times, indicated as factors that influence entrepreneurial performance and, hence, entrepreneurial failure. One can notice that growth of the firm is not included in the list. According to Mason et al (2008a), growth can lead to ultimate success in business during the firm's early years and reduce the risk of failure.

2.5.3 Firm purpose

One final item worth mentioning is the purpose of firm the entrepreneur has chosen to build. For this thesis, a work by Ãstebro (1998) in which the researcher investigated the failure rate of firms that were established for the sole purpose of developing and marketing inventions that the firm or the entrepreneur had created. He indicates that only 6.5% of inventions reach the marketplace (93.5% never prosper). When the invention does succeed and a company is developed around that invention, those companies that have survive long enough for the invention to reach the commercialization stage of their lifespan, thrive in almost the exact same numbers as do firms built by nascent entrepreneurs. One factor he indicates that adds a dimension of risk is that the actual invention process lowers the probability of success due to the complications of the start-up process that is ongoing while the invention is being finalized. This fact is upheld by work from Reynolds and Miller (1992). In spite of increasing the risk of never realizing the commercialization phase, when inventors do succeed in creating their firm, their likelihood of failure is almost identical to new regular start-up firms that are not built to market a new invention. Ãstebro cites the following statistics concerning new inventions. "74% of the innovations survive at least two years, 47%' survive at least four years, 33% survive at least six years, and 20% survive at least eight years (Ãstebro, 1998, p. 44).

2.6 The impact of business failure

This section will explore the impact failure has on the entrepreneur, as well as the environments in which they operate. This includes the emotional effect as well as their ability to learn from failure.

2.6.1 Macro-economic effects

Schumpeter (1950) proposed failure was an expected occurrence and the resulting upheaval is in fact beneficial for the economy, even if it was hurtful for the business person. Some researchers, such as Hicks and Sutaria (2004, p. 255), determined employment growth and salaries increased as firms began to deteriorate. They accomplished this by creating a type of situation which will attract new firms as the old ones disappear. These new firms will be better able to supply innovative products, better services, and fulfill the market demands of the region. By losing existing firms, some of the competitiveness within the environment will dissipate, thus opening the door for new entrants due to a less hostile marketplace.

2.6.2 Creative destruction

The term "creative destruction" was coined in 1934 in *Capitalism, Socialism and Democracy*, a book by J. A. Schumpeter. Due to its importance in the field of failure, and in order to explain what is meant by this term, an excerpt from his 1950 revision of his 1934 work is provided:

> "Situations emerge in the process of creative destruction in which many firms may have to perish that nevertheless would be able to live on vigorously and usefully if they could weather a particular storm. Short of such general crises or depressions, sectional situations arise in which the rapid change of data that is characteristic of that process so disorganizes an industry for the time being as to inflict functionless losses and to create avoidable unemployment. Finally, there is certainly no point in trying to conserve obsolescent industries indefinitely; but there is point in trying to avoid their coming down with a crash and in attempting to turn a rout, which may become a center of cumulative depressive effects, into orderly retreat. Correspondingly there is, in the case of industries that have sown their wild oats but are still gaining and not losing ground, such a thing as orderly advance." (Schumpeter, 1950, p. 90)

Churning is a form of positive creative destruction. When a firm abandons a current method of operation for a new method, a churn has occurred. According to the website of the Dallas Federal Reserve Bank an economic churn is a necessity for progress to occur. "Out with the old and in with the new" (Cox, 2006). Cox points out Schumpeter saw these changes in innovation as the basis for most business cycles, but he saw only the positive aspects as he realized churn was necessary to fulfill the demands of the consumers. In America, work by Knott and Posen (2005) indicates that approximately ten percent of all firms fail each year but the growth rate of new firms is about 11 percent. This rate of exit and entrance should mean a vibrant churn; however, they point out most of the firms exiting are the younger firms and the older more well established firms are not threatened. They maintain, "the phenomenon looks less like churn than competition for the right to produce in perpetuity" (p. 681).

As Schumpeter indicated, “sectional situations” will arise that will lead to an inevitable unemployment. The Manufacturing Alliance of Arlington, Virginia, produced a report by Meckstroth (2005) in which he states that creative destruction is causing the decline of manufacturing jobs in America. He claims the churn in the United States has been holding steady for the last 30 years, but in 1998, it faltered and new plant openings decreased, and as a result, 35,000 jobs were lost. Contrary to Meckstroth’s claim, the capitalist enterprise, according to Schumpeter (1950), has the ability to create new markets and new industrial organizations through the creation of new consumer goods and new operational methods, thus enabling a positive churn which is good for the economy.

This creative destruction fuels the growth consumer’s demand and that is a necessity for the economies of the world. As it applies to the subject of failure, a churn may seem to be a negative event, but just as has been alluded to in this paper, business closures create vacuums in the economy that will stimulate the economy, and new and better firms will emerge.

2.6.3 The emotional effect on the entrepreneur

Shepherd (2003) discussed failure from an emotional perspective. In his study, he utilized grief as an approach to business failure and cited numerous articles that hold the premise that when business people learn from their failures, they can be more successful in future endeavors. Grief is characterized as a negative emotional response and one must learn to overcome the negative responses in order to learn from their failures. Learning from failure is not automatic; therefore, when an entrepreneur learns to handle grief, they can then learn from other negative events. He states a failure in business produces emotional interference and when one undergoes grief recovery, the interference from the failure will be removed completely.

Some of the emotions that merit further examination in the study of entrepreneurial failure include fear, anger, disgust, surprise, emotions of joy, acceptance, and even relief. A significant portion of the research Savitsky et al (2001, p. 44) carried out was based upon the proposition, “When people suffer an embarrassing blunder, social mishap, or public failure, they often feel that their image has been severely tarnished in the eyes of others”. Contrary to this suggestion, their findings indicate people are less likely to view the failed individual as they perceive themselves. The observers of the failure event offer, what Savitsky calls “judgmental charity” (p. 54), and this charity is accompanied by understanding. This would indicate that emotional response, which accompanies failure, is more in ones own mind than in the minds of the onlookers.

How the portfolio entrepreneur views their own failure event has not been directly investigated from an emotional perspective; however, according to Shepherd (2003), the entrepreneurs who possess previous management or ownership experience, either through success or failure, have enhanced their knowledge through the feedback received as experience is gained. This enhancement in knowledge is reinforced in a study conducted by Minniti and Bygrave (2001). Entrepreneurs, not specifically portfolio entrepreneurs, were allowed to manage firms and were permitted to make mistakes, all the while being observed by the researchers as they attempted to determine how past experience allowed the subjects to overcome their fear of failure and perhaps ridicule and yet, continue to function. Their findings concur with Shepherd in that those with experience are able to overcome the emotions that are attached to failure, and through general knowledge, entrepreneurs with experience, gain a knowledge of “how to be entrepreneurial” (p. 13). This finding is significant as one endeavors to ascertain the effect that failure will have on portfolio entrepreneurs who have experienced a failure situation.

2.6.4 The effect of mistakes on entrepreneurial learning

Oscar Wilde said:

> “Always look at failure as bringing you one step closer to success. The law of paradoxes states without failure there can be no success. Failure is an absolute and necessary ingredient for those who chose to be successful. Therefore you should embrace your failures with equal gusto as you do with your wins. Make sure you learn from each

> failure otherwise you will be punished twice as severely in the future". (Quote from Oscar Wilde (1854 - 1900) Irish dramatist, novelist, & poet).

This section of the literature review chapter on failure concerns learning from one's mistakes, what entrepreneurs can do to avoid mistakes, and how they can go about discovering failures before they occur. In a survey conducted in the United Kingdom by Stokes and Blackburn (2002) in 1999, 2,719 business owners were contacted concerning their closure of a small business. Only 387 surveys were returned as usable. Their research shows 69 percent of those previously failed business people stated their ownership of a business that had failed was a positive learning experience for them. Of that 69 percent, 75 percent stated their self – management skills improved due to the closure.

Learning from failure is a necessary part of success (Cope, 2003), and it is an uncommon quality entrepreneurs must master. McGrath (1999) says one of the main unplanned consequences of seeking success rather than learning from failure is an inclination to carry mistakes forward and forget the true lessons one can learn from failure. Starbuck and Baumard (2005, pp. 282, 283) concurred with McGrath's statement when they acknowledged, that as learning occurs from repeated successes, future failure is very likely. They believe that firms tend to focus on the behaviors that created their successes and will become overly confident that they cannot fail. They state, "Long periods of continued success foster structural and strategic inertia, extreme process orientations, inattention and insularity". This thinking among firms will prevent them from adapting to changes that are necessary for their future survival.

Another area of study of failure concerns the size of the failures from which the firm should be learning. Bauman and Starbuck (2005) included this concept in their study of failure. The results are surprising in that they found firms learned less from large failures. Most firms said exogenous (external to the firm and beyond its control) factors were at play in the large failure. The smaller problems tended to be more endogenous (internal to the firm and presumably within its control), and because they impacted their personal stakes in the firm, these were more closely monitored. One study that agrees with this premise is from Cannon and Edmondson (2005) in which they state distinguishing between large and small failures is important, but it is also important to "learn to fail intelligently as deliberate strategy to promote innovation and improvement" (p. 300). Sitkin (1992, p. 243) distinguished between failures with little learning benefit and intelligent failure. He defined intelligent failure as a failure in which future expectations were not met, but what was learned will be beneficial for the future success of the entrepreneur.

When companies are faced with the large failure such as the Challenger explosion, or the Parmelat or the Enron scandal, they tend to handle their problems by committee; they "establish task forces or investigative bodies to uncover and communicate the causes and lessons of highly visible failures" (Cannon & Edmondson, 2005, p. 301). Most failures within a firm go to the very root and are, therefore, hard to control. It is for this reason firms must recognize the small failures that are easier to control and must do so before the problems become large and lead to catastrophic failures. Small failures are easily overlooked as they seem to be only minor problems, and firms tend to concentrate on the large mistakes. This type of thinking indicates that firms are not making use of important opportunities to learn (Cannon & Edmondson, 2005, p. 301).

In an empirical study by Knott and Posen (2005), the authors reach a conclusion that failure may be good for the economy. Their contention is successful entrepreneurs generate an economic benefit higher than the private benefits the owner obtains by satisfying either unmet needs or satisfying new needs for the buying public. Either way the entrepreneur "fuels a process of creative destruction" (p. 617). When failure occurs, the business person personally loses, but the same forces that were at work with the successful entrepreneur work the same with the failed person. The failed entrepreneur creates the vacuity which, in turn, stimulates growth.

Hicks and Sutaria (2004, p. 255) determined employment growth and salaries increased as firms began to decline. Beaver (2003) discusses success and failure by revealing that when one considers success, they can no longer hold success as being equal to optimal performance. He continues, “failure can no longer be regarded in terms of the traditional, inflexible paradigm of the cessation of trading”, but simply that it falls below the “optimal level attainable” (p. 119).

2.6.5 Learning from failure

Reuber and Fischer (1999) investigated entrepreneurial learning from an experiential direction and refer to it as the entrepreneurs stock and stream of experience. They indicated that past the experience of the entrepreneur and the experience of the venture will impact the performance of the enterprise and this will then impact the future actions and decisions in which an entrepreneur will engage, thus leading to better performance in their firm. Their findings indicated that the impact of experiences on the entrepreneurial process changes as well as random events that occur as the business progresses through the various stages. This stream is continuously going into the stock of experience, which will determine the future direction of the firm. Westhead et al (2005a) discussed Reuber and Fischer’s (1999) study, and they agreed an entrepreneur's stream of experience is important to the entrepreneurial processes, as it relates to experimentation and learning. Minniti and Bygrave (2001) indicated that entrepreneurs learn by revising a stock of knowledge that they accumulate based on their past experiences. Specifically, the paper stated that entrepreneurs discard any choices that result in failure and repeat only those alternative that appear most promising to their future success.

The study of “learning from failure” has evolved through the limited number of years that it has been of importance. Prior to 1988, characteristics of the entrepreneur were the prevalent means of investigating the ability of an entrepreneur to learn from their past experience. This type of investigation almost ended when Gartner (1989) argued the fixation researchers had on characteristics of the entrepreneur was a futile endeavor or ‘the wrong question’. In his proposal, he stated that future study should concentrate on the activities of the entrepreneurs as they go about creating new organizations. Cope (2005) follows this up with his own perception of Gartner's call and states that in order to study ones ability to learn from experiences, rather than studying who the entrepreneur is, researchers must study the changes that occur in entrepreneurship and explore not who the entrepreneur "is", but who the entrepreneur may become. Since entrepreneurs often perceive new situations which allow them to learn from their experience, Cope (Cope, 2005, p. 378) indicates that this "experience" learning is tied directly with their learning which has occurred in the past and hence leads to the ability of the entrepreneur to evolve in their "learning history". He cited Gartner's work in this and indicated that this type of study involving "learning",

> "Represents a rich arena for studying entrepreneurial learning and development—specifically, the complex ways in which entrepreneurs learn to adapt their role and develop new behavior in order to negotiate the management and growth of their businesses (Cope, 2005, p. 376).

In another study concerning "learning from failure", Politis (2005) created a conceptual framework that provided a foundation on which further studies of entrepreneurial learning could take place from an experiential viewpoint. In her paper she attempted to discover the process where past experience of the entrepreneur would be transformed into entrepreneurial knowledge. She succeeded in indentifying three components which she states suggests make up the process of entrepreneurial learning. One is the career experience of the entrepreneur, another is the actual transformational process that takes experience and transforms it into knowledge, and the final one is the increase in knowledge which allows the entrepreneur to identify opportunities.

Eight other studies (McGrath, 1999; Stokes & Blackburn, 2002; Cope, 2003; Shepherd, 2003; Baumard & Starbuck, 2005; Cannon & Edmondson, 2005; Coelho & McClure, 2005; Rerup, 2005) were referred to in this chapter which dealt with "learning from failure". Often, the entrepreneur had invested all of their resources into the venture and their ability to learn from their failures and successes is of the greatest significance as a failure within the firm will expose the entrepreneur to potential financial and emotional risk since the entrepreneur is linked both emotionally and financially to the firm (Cope, 2003).

Cope (2003) stressed higher-level learning is necessary for the future success of an entrepreneur. He studied the discontinuous events and the difference between those and the more habitual, lower-level learning. His findings provided clear evidence that entrepreneurs learn more from, what he called non-routine events, than they do from their everyday routines. It can be construed from this, that portfolio entrepreneurs may have an advantage over a non-portfolio entrepreneur when it pertains to learning from their failures.

Stokes and Blackburn (2002) also studied failure from a positive angle. Their research involved interviews and questionnaires with both business owners as well as associates that provided outside help to the owner. The findings show closure is not necessarily a negative event since 62 percent of their respondents continued to open new businesses. Closure is shown in a positive light in this paper as only 15 percent of the failed entrepreneurs said they would not try again while 70 percent said they were encouraged by their experience.

Knott and Posen (2005) asked the question in their title, "Is Failure Good?". They proposed that failed entrepreneurs may be as brave as successful entrepreneurs. Their primary goal of the paper was to determine whether the economic benefits of a business failure are genuine and can, in fact, outweigh the cost of failure. The tests involved various effects of failure in evolutionary economics. The results of their study show these economic benefits are real and that excessive entries into the market and the failures that often follow dramatic growth are in fact good for the economy, "excess entrants appear to enhance social welfare" (p. 638).

Coehlo and McClure (2005) explored the benefits of failures, and analyzed how failures in business cutback on resources, therefore, leading to improved firms and greater efficiencies. The authors utilized a literature review of past studies as their source material and enterprise death as one of the factors that cutback on the resources. This is where they arrived at their previously quoted statement that pruning is required in a healthy society, and in this case, it is the final act of death for the business. The conclusion of their paper is failure, and in this case, enterprise death is good for the society as a whole, and while it is not good for the individual, it is beneficial for the greater good. When failure occurs, society rids itself of a potentially underperforming entity and can replace it with a viable and producing firm.

McGrath (1999, p. 13) uses options reasoning to help "redirect the theoretical focus in entrepreneurship from a preoccupation with achieving success and avoiding failure to a more integrated view of how the two phenomena are related" and how to use options reasoning to contain the cost of failure. Her conclusion, that ties so well with this thesis, is that excessive failure rates are of little consequence as long as the cost of the failure is contained only within the business that failed, and the businesses that succeed are able to grow (McGrath, 1999, p. 28). This statement may be another reason portfolio entrepreneurs thrive and continue to build businesses. It deserves additional investigation.

Two of the eight studies (Baumard & Starbuck, 2005; Cannon & Edmondson, 2005) concerned large and small failures within the firm. Baumard and Starbuck (2005) investigated 14 failures within Eurocom, a European telecommunication consortium, over a 20 year period. This longitudinal study asked why companies do not learn from their failures. The study goes into great depth about the difference between a large and a small failure and what a firm can learn from each one. Their findings indicate large failures tend to be explained away by management and small failures are looked at as a common occurrence which all firms must accept. Firms fail to realize small events are the precursor of the larger events, and if attention was paid to the insignificant event, the larger events could be avoided. Cannon and Edmonson (2005) take their study further than Baumard et al, as they delve into the barriers that are in place in identifying failures, analyzing failure, and how to put failure to work within a firm to innovate and improve the firm. Their final remarks are "Reframing failure to being associated with risk and improvement is a critical first step on the learning journey" (p. 317).

One important point that develops from this section of "learning from failure" is that none of the cited articles have concentrated solely on the portfolio entrepreneur. The first objective of this study is to discover the characteristics of the portfolio entrepreneur and to attempt to determine the effect "failure" has on them and their other ventures. Contrary to the call (Gartner, 1989) that future studies should concentrate on the activities of the entrepreneurs rather than their characteristics, it should be an important part of this thesis to attempt to determine if, due to the very distinct nature of the portfolio entrepreneur, whether or not their characteristics do warrant further investigation and whether or not, due to their characteristics, they have to ability to learn from failure.

The overall finding for this section can be expressed by citing a portion of an abstract from one of Cope's studies concerning learning from failure.

> "These events (learning from failure) have the capacity to stimulate distinctive forms of "higher-level" learning – learning that is fundamental to the entrepreneur in both personal and business terms (Cope, 2003, p. 429) ".

2.7 Portfolio entrepreneurs and failure

Knowledge gained from previous experience can be a valuable asset for the portfolio entrepreneur and provide him or her with a greater probability of finding success in future ventures. An important aspect of this area of research concerns how the portfolio entrepreneur can accept the failure event and move forward in their entrepreneurial endeavors. They must be able to advance while remaining aware that the type of knowledge that is brought forward is also of importance. Knowledge that is disparate from the knowledge needed in a current venture could increase the risk of future failure.

2.7.1 Portfolio entrepreneurial failure

In one of the few papers written on portfolio entrepreneur failure, Rerup (2005) sought to discover the strategies entrepreneurs utilized that enable them to make a prior entrepreneurial experience, including failure, work for them in future ventures. In the paper he "explained entrepreneurs' failure and success in terms of how these individuals use past experience to discover and exploit opportunities" (p. 467). He combined past studies on portfolio entrepreneurs, as it pertained to organizational learning, and mindfulness. Mindfulness is defined as "the quality of collective attention that enables entrepreneurs to minimize errors, remain vigilant and respond effectively to unexpected events" (p. 452). The contention is that mindfulness is a reason habitual entrepreneurs can better foresee and act in response to unexpected events and opportunities and to use their experience to take advantage of opportunities. There are also harmful results from failure, according to Rerup (2005, p. 456), "experimentation is risky, overconfidence in ability to beat the odds… most new ideas turn out to be useless".

In another paper that deals with habitual entrepreneurs, Shepherd (2003) proposes these entrepreneurs grieve the loss of their business, which in turn helps them learn from their prior mistakes. The study indicates that the individuals who have undergone a failure can distract themselves in a way such that they can speed their own recovery and move on to new ventures. Shepherd refers to this process as "restoration orientation" (Shepherd, p. 322) and says when a person uses this process, they are seeking the causes of stress instead of being disturbed with the actual loss. As a result, the habitual entrepreneur is able to move forward where the novice entrepreneur will perhaps stop, and respond in a way that will effectively end their business career. Regardless of the reason for the failure, either internal or external, it is a fact businesses fail, owners lose their investment, and employees lose their jobs.

2.7.2 Survival of the firm and variables of small business failure

A study by Sarasvathy and Menon (2002) warrants discussion due to its closeness to the topic of this thesis, habitual or portfolio entrepreneurs. They were searching for additional evidence about failure, more so than just “most firms’ fail”. They utilize past studies for their data. Their main assertion is that if an entrepreneur is aware that “most firms fail” then why would anyone try to start a firm and especially, why would a habitual entrepreneur start many firms? Their findings indicate that entrepreneurs do see failure among other firms, but do not equate firm failure to entrepreneurial failure. Firms are instruments that entrepreneurs utilized to ensure their own success or to achieve their goals. Failure in a firm has little or no effect on the entrepreneur.

Sarasvathy and Menon’s study found that decisions made on behalf of the firm are vastly different from those made on behalf of the entrepreneur, and successes and failures within the firm do not determine the success and failure of the entrepreneur. Entrepreneurs can use their firm as an instrument to increase the chances of their own overall success. This finding could be one of the driving forces behind the portfolio entrepreneur. It must be pointed out there are problems in this type of research as Sarasvathy and Menon have stated. One of the problems they discuss involves the lack of factual data about entrepreneurial failure. They indicate that very few failed entrepreneurs advertise this fact, and often, simply start another business with little or no attention paid to their failure. Once the entrepreneur has found success, they are more apt to speak of their failures, but many of them simply go away with no trace of their ever having existed, or failed (Sarasvathy & Menon, 2002). .

2.7.3 Past experience among habitual entrepreneurs

A different aspect of a study by Rerup (2005) concerns past experience. In this study, he utilized a literature review from past studies for the data needed for this analysis. In this paper, he discusses literature on habitual entrepreneurship, behavioral learning theory, and mindfulness theories, all of which he uses to develop a framework about how, when, and why habitual entrepreneurs use their past experience to improve their future performance.

The framework Rerup referred to is a model he created which examines how habitual entrepreneurs can apply their past knowledge, either mindfully or mindlessly, to their future exploits. He defined a mindful application of prior knowledge as "the ability to adapt by generalizing and discriminating between past experience and the current situation" and mindless application of existing wisdom is defined as "the inability to adapt" (Rerup, 2005, p. 463). Mindless application requires the ability to discriminate between past and present conditions.

He continued that most literature on mindfulness only points to the positive aspects and fails to mention the negative. This is not feasible to the habitual entrepreneur. The author points to several studies that maintain the premise of failure is sure to follow if only mindfulness is utilized. If only positive aspects are covered, then all outcomes will be favorable, and this is also not true. As was pointed out earlier in this paper, previous studies agree with this conclusion and have shown when firms attempt to duplicate success in one business with a new venture, only failure will follow (Baumard & Starbuck, 2005). The interesting part of this study is the fact Rerup's findings hold that a certain degree of mindlessness, along with mindfulness, can make the new venture more resilient to failure and increases its chance for survival.

2.8 Conclusion

All of the studies covered in this chapter on failure will support the compilation of the methodology and the interview processes that will be created for this thesis to examine portfolio entrepreneurs and the effect failure has on them. The information provided in this chapter has indicated that research on entrepreneurs and their firms has not been ignored: however, research continues to be limited as to the scope and understanding of failure among entrepreneurs and entrepreneurial ventures.

Mason et al and Cochran (Cochran, 1981; Mason, Carter, & Tagg, 2008a) provided the definition chosen for use in this study. They stated that business failure shall include bankruptcies and closures of businesses which cease operations caused by their losses in what is termed as "failing to make a go of it". Closure of a business is sometimes considered to be a failure simply because it is easier to describe the event as a failure rather than to explain exactly what transpired to cause the business to discontinue operation (Storey, 1994). Based on the literature presented in this chapter, one must question whether a firm has failed, if in fact, they discontinued operations, paid off all debts, and walked away with no financial harm to themselves or their creditors. This is a critical point that must be investigated by this study.

Large and small failures are apparent as a major problem for small firms. Cannon and Edmonson (2005) argued that small problems will arise in a business and often these are ignored, leading to a potentially large failure and ultimately catastrophic failure for the entrepreneur and the firm. The large failures are mainly exogenous and small failures are often indigenous (Baumard & Starbuck, 2005). These small failures include poor management, financial inadequacies and poor marketing practices among others (Barker, 2005). Attribution theory is used by entrepreneurs to explain their failures, often blaming their problems on external factors while placing others failures on their own internal shortcomings (Rogoff, Lee, & Suh, 2004).

Firm size (Storey, 1994) and age (Storey, 1994; Coleman, 2000) have both been indicated as factors which contribute to failure. According to statistics in Storey's study, the larger the firm, the less likely it will fail. Firms which are started with less than 20 employees have a 70.94% greater chance of failing than does one started with 500 or more employees. Based on this finding, firm size is of the greatest importance when attempting to discover the success or failure of a new firm, followed closely by firm age (Storey, 1994). The younger the firm, the more likely it is to fail. Factors which lead to failure in young firms include a lack of capital, credit, and a lack of reputation (Coleman, 2000). As more studies are carried out, researchers should focus on these causes of failure in an attempt to offset the negative effects of failure and to help ensure the long term success of newer firms.

Learning from failure has also emerged as a major focal point of entrepreneurial research. Several different studies (McGrath, 1999; Stokes & Blackburn, 2002; Cope, 2003; Shepherd, 2003; Baumard & Starbuck, 2005; Cannon & Edmondson, 2005; Coelho & McClure, 2005; Rerup, 2005) dealt with the ability of entrepreneurs to possibly avoid failure by learning from their own mistakes. Starbuck et al (2005) and McGrath (1999) both indicate that learning from failure is a positive event, however, learning only from success will lead to future failure as successful entrepreneurs will become overly confident and begin believing that they cannot fail. Cope (2003) provided evidence that various events within a firm will offer differing levels of learning. The more non-routine events which occur in a business will provide a better learning outcome for the entrepreneur. All of the studies offered in this chapter concerning learning from failure agree that this process of learning is of the utmost importance to any business person, and the amount of knowledge obtained will be contingent upon the circumstances surrounding the failure event, and the ability of the entrepreneur to learn from the failure.

This chapter indicates that the impact of failure upon the entrepreneur and the enterprise will be viewed differently by every individual. Many of the entrepreneurs who face failure will never attempt another business, while many, perhaps portfolio or habitual entrepreneurs, will continue to build businesses and continue to learn from their failures. Attributing failure and the consequences of failure to a specific event may allow future researchers the ability to predict future outcomes of business success and failure and aid entrepreneurs in their quest to become and remain successful in all of their business ventures.

Table 2.3 Overview of failure articles

Authors	Article Title	Research Topic	Unit Of Analysis
Azoulay, Pierre Shane, Scott	Entrepreneurs, contracts, and the failure of young firms	Demonstrate that firms are selected for survival on the basis of contracting efficiency	New franchises
Barker, Vincent	Traps in diagnosing organization failure	Understanding the causes of corporate failure and the actions managers take to stop the decline	Firm managers
Baumard, Philippe Starbuck, William H.	Learning from failures: Why it May Not Happen	Asks what the firm learned from failures. Does learning from failure differ from learning from success? How does the learning from large failures differ from learning from small failures?	Very large European telecommunication firms
Beaver, Graham	Small business: success and failure	Formation and development of the small firm, its planning, management, and attempts to survive.	Small independent businesses
Cannon, Mark D. Edmondson, Amy C.	Failing to Learn and Learning to Fail (Intelligently) How Great Organizations Put Failure to Work to Innovate and Improve	This article synthesizes the authors' wide research to offer a strategy for learning from failure. Their framework relates technical and social barriers to three key activities – identifying failure, analyzing failure and deliberate experimentation and to develop six recommendations for action.	Small businesses
Chen, Jo-Hui Williams, Martin	The determinants of business failures in the US low-technology and high-technology industries	Examining the role that some key state fiscal measures and federal transfer grants to states play in explaining business failure rates.	Low-technology and high-technology manufacturing industries

AUTHORS	ARTICLE TITLE	RESEARCH TOPIC	UNIT OF ANALYSIS
Cochran, A B	Small business mortality rates: A review of the literature	Who fails, why, and at what rate?	Existing studies on failure
Coelho, Philip R P McClure, James E	Learning from Failure	Explores the benefits of failures, and uses aspects of the analogy between death and business failure to analyze how failures in business economize upon resources and lead to better firms and greater efficiencies.	Small business
Coleman, Susan	Access to capital and terms of credit: A comparison of men- and women- owned small businesses	Compares access to capital for men- and women- owned small businesses	Men- and women- owned small businesses using data from the 1993 National Survey of Small Business Finances.
Cope, Jason	Entrepreneurial Learning and Critical Reflection: Discontinuous Events as Triggers for 'Higher-level' Learning	Builds a deeper understanding of the learning outcomes triggered by significant, discontinuous events during the entrepreneurial process	Entrepreneurs and enterprises
Cox, Mike	Schumpeter—In His Own Words	Illustrates the thought process and writing of the economist who probably best understood capitalism and its evolutionary development, Joseph Schumpeter.	Joseph Schumpeter

AUTHORS	ARTICLE TITLE	RESEARCH TOPIC	UNIT OF ANALYSIS
D'Aveni, Richard A.	The Aftermath of Organizational Decline: A Longitudinal Study of the Strategic and Managerial Characteristics of Declining Firms	Examines the strategic and managerial consequences of organizational decline	Forty-nine firms filing for bankruptcy
Fredland, J Eric Morris, Claire E.	A Cross Section Analysis of Small Business Failure	Examine empirically a cross section of business failures and non-failures, studying the relationship between failure and firm size	Bankrupt firms
Gaskill, LuAnn R. Van Auken, Howard E Manning, Ronald A.	A factor analytic study of the perceived causes of small business failure	Examined perceived causes of small business failure	Apparel and accessory retailing industry
Headd, Brian	Redefining business success: Distinguishing between closure and failure	Have business owners executed a planned exit strategy, closed a business without excess debt, sold a viable business, or retired from the work force? Was this failure or closure?	Small businesses that have ceased operations
Hicks, Donald A. Sutaria, Vinod	New firm formation: Dynamics and determinants	Tested a variety of models seeking to explain patterns of new firm formation in terms of macroeconomic, demographic, and labor market processes, patterns of industrial restructuring, availability of local financial capital, and local public sector spending	New enterprises

AUTHORS	ARTICLE TITLE	RESEARCH TOPIC	UNIT OF ANALYSIS
Holmberg, Stevan R. Morgan, Kathryn Boe	Franchise turnover and failure: New research and perspectives	Presents a new franchise failure concept, reconciles many prior, seemingly inconsistent study results based largely on franchisor's surveys	800 franchise systems and 250,000 franchise outlets
Kalleberg, Arne L. Leicht , Kevin T.	Gender and Organizational Performance: Determinants of Small Business Survival and Success	Examined several hypotheses on how the survival and success of small businesses headed by men and women are related to industry differences, organizational structures, and attributes of owner operators.	Based on data collected annually over a three year period from an initial group of 411 firms in the computer sales and software, food and drink, and health industries in South Central Indiana.
Knott, Anne Marie Posen, Hart E.	Is failure good?	Characterized three potential mechanisms through which excess entry affects market structure, firm behavior, and efficiency,	Banking industry
Liu, Jia	Macroeconomic determinants of corporate failures: evidence from the UK	Investigated the determinants of UK corporate failures by modeling the short-run and long-run behaviors of corporate failure rates in relation to macroeconomic phenomena over the period 1966-1999.	Small businesses in the UK
Liu, Jia Pang, Dong	Business Failures and Macroeconomic Factors in the UK	Investigated whether macroeconomic factors can account for the observed fluctuations of UK business failures in the period of 1966–2003	Small businesses in the UK
Lussier, Robert N.	A nonfinancial business success versus failure prediction model for young firms	Tested to determine whether successful and failed businesses begin with the same resources.	CEOs of 108 successful and 108 failed (Chapter 11) firms residing in 6 New England states.

AUTHORS	ARTICLE TITLE	RESEARCH TOPIC	UNIT OF ANALYSIS
Mansfield, Edwin	Entry, Gibrat's Law, Innovation, and the Growth of Firms	What are the quantitative effects of various factors on the rates of entry and exit?	Small industries and businesses
Marlow, Susan	Self-employed women – new opportunities, old challenges?	The gender of an individual entering self-employment will significantly affect the experience of owning a business.	Male and female small business owners where the effect of gender upon the experiences of small firm ownership is evaluated.
McGrath, Rita	Falling forward: Real options reasoning and entrepreneurial failure	Real options reasoning is used to develop a more balanced perspective on the role of entrepreneurial failure in wealth creation, which emphasizes managing uncertainty by pursuing high-variance outcomes but investing only if conditions are favorable	Small business owners
Millington, J. Kent	The Impact of Selected Economic Variables on New Business Formation and Business Failures	Investigated economic variables and their effect on small business failure	Small businesses
Minniti, Maria Bygrave, William	A Dynamic Model of Entrepreneurial Learning	Entrepreneurs learn by updating a subjective stock of knowledge accumulated on the basis of past experiences. Specifically, the paper argued that entrepreneurs repeat only those choices that appear most promising and discard the ones that resulted in failure.	Entrepreneurs

AUTHORS	ARTICLE TITLE	RESEARCH TOPIC	UNIT OF ANALYSIS
Osborne, Richard L.	Why entrepreneurs fail: How to avoid the traps	Investigated firm's fundamental business concepts and corresponding capacity to accumulate capital	Small businesses and firm CEO's
Parsa, H.G. Self, John T. Njite, David King, Tiffany	Why restaurants fail	Explored restaurant ownership turnover rates and the frequency of those failures	Restaurant failure data from Dun and Bradstreet
Perry, Stephen C	A Comparison of Failed and Non-failed Small Businesses in the United States: Do Men and Women Use Different Planning and Decision Making Strategies?	The primary objective of this study was to investigate the influence of gender in U. S. small business failures.	Recently failed firms were selected randomly and matched with non failed firms on the basis of age, size, industry, and location.
Phillips, Bruce D. Kirchhoff, Bruce A.	Formation, growth and survival; Small firm dynamics in the U.S. Economy	Investigated the failure rates of firms in an effort to dispel the rumor that four out of five firms fail within the first five years.	New data source developed by the U.S. Small Business Administration that provided survival rates and failure rates.
Rerup, Claus	Learning from past experience: Footnotes on mindfulness and habitual entrepreneurship	Investigated the degree of mindfulness with which entrepreneurs use prior experience to both help and harm their ability to discover and exploit opportunities.	Literatures, including studies of habitual entrepreneurship, behavioral learning theory, and theories of mindfulness

AUTHORS	ARTICLE TITLE	RESEARCH TOPIC	UNIT OF ANALYSIS
Rogoff, Edward G. Lee, Myung-Soo Suh, Dong-Churl	"Who Done It?" Attributions by Entrepreneurs and Experts of the Factors that Cause and Impede Small Business Success	Tests for the existence of a self-serving attribution bias among entrepreneurs when they enumerate the factors that contribute to or impede their business success as well as for the presence of an actor-observer attribution bias	Three samples are compared. Two are samples of entrepreneurs: one of independent pharmacists and the other a broadly based sample of business owners. A third sample is of experts.
Rosa, Peter Carter, Sara Hamilton, Daphne	Gender as a determinant of small business performance: Insights from a British study	Gender and small business performance	Data obtained from a survey of 300 women and 300 men in the UK. Small business owner/managers.
Rosa, Peter Hamilton, Daphne Carter, Sara Burns, Helen	The impact of gender on small business management: preliminary findings of a British study	Gender and small business performance and the importance of experience in ownership and management of small business.	Textile and clothing, hotel and catering and business services sectors,
Said, Kamal E Hughey, J Keith	Managerial problems of the small firm	Investigates problems that center on a lack of managerial ability. The lack of basic skills that prevents the manager from recognizing future business problems so as to avoid them or to act promptly	Small Businesses
Sarasvathy, Saras D. Menon, Anil R.	Failing Firms And Successful Entrepreneurs: Serial Entrepreneurship As a Simple Machine	Argued that irrespective of what we believe the failure rate of firms to be, we can still rigorously understand entrepreneurial success/failure and derive useful prescriptions to improve success rates of entrepreneurs.	Entrepreneurs

AUTHORS	ARTICLE TITLE	RESEARCH TOPIC	UNIT OF ANALYSIS
Savitsky, Kenneth Epley, Nicholas Gilovich, Thomas	Do others judge us as harshly as we think? Overestimating the impact of our failures, shortcomings, and mishaps.	Exploration of the judgmental natural of witnesses to a failure event, and their perception of and toward the individual that failed.	Individuals who have experienced a failure event.
Shepherd, Dean	Learning from Business Failure: Propositions of Grief Recovery for the Self-Employed	The concepts of grief and grief recovery provide a useful framework for comprehending the reactions of self-employed individuals to business failure. A dual process of grief recovery is proposed that involves oscillating between a loss and a restoration orientation as providing the most rapid path to grief recovery.	Failed entrepreneurs
Stokes, David Blackburn, Robert	Learning the hard way: the lessons of owner managers who have closed their businesses	Reports on a study into the experiences of business owners who have left their business. Three stages of research, including interviews and a postal questionnaire, tracked businesses that closed, what the owners did next and what they learned from the experience.	Business owners who have left their firms
Stubbart, Charles I. Knight, Michael B.	The case of the disappearing firms: empirical evidence and implications	Surveyed a broad set of empirical findings about firms' life-spans.	Businesses, both large and small

AUTHORS	ARTICLE TITLE	RESEARCH TOPIC	UNIT OF ANALYSIS
Watson, John	Comparing the Performance of Male- and Female-Controlled Businesses: Relating Outputs to Inputs	Investigated differences between male- and female-controlled businesses with respect to total income to total assets, the return on assets, or the return on equity	Male and female owned firms
Watson, John	Failure rates for female-controlled businesses: Are they any different?	The aim was to determine whether female-owned businesses exhibit higher failure rates than male-owned businesses and, if so, whether this finding persists after controlling for industry differences.	Data from a representative sample of 8,375 small and medium-sized Australian enterprises
Watson, John Everett, Jim	Small Business Failure and External Risk Factors	Explored the impact of macro-economic factors on small business mortality.	Small businesses
Wilson, Fiona Carter, Sara Tagg, Stephen Shaw, Eleanor Lam, Wing	Bank Loan Officers' Perceptions of Business Owners: The Role of Gender	Explored the perceptions held by bank loan officers of male and female business owners, using Bourdieu's theory of practice and Kelly's personal construct methodology.	Bank loan officers
Zacharakis, Andrew L Meyer, G Dale DeCastro, Julio	Differing perceptions of new venture failure: A matched exploratory study of venture capitalists and entrepreneurs	Examined new venture failure from the perspectives of both the entrepreneur and the venture capitalist	Both the entrepreneur and the venture capitalist.
Zahra, Shaker A Neubaum, Donald O	Environmental adversity and the entrepreneurial activities of new ventures	Linked macro, competitive, market and technological hostility to the entrepreneurial orientation	New ventures in low and high technology industries

CHAPTER 3
PORTFOLIO ENTREPRENEURSHIP

3.1 Introduction

It is the intention of this thesis to contribute to the existing literature on portfolio entrepreneurship and enrich understanding and knowledge as it relates to the portfolio entrepreneur. This will be accomplished by determining who the portfolio entrepreneur really is, what motivates them; and their reasons for portfolio development. Therefore, the aim of this chapter is to examine the research literature that is available concerning portfolio entrepreneurship. It will begin by defining terms crucial to the understanding of the subject and by answering several key research questions through the use of existing literature covering all aspects of portfolio entrepreneurship. This will be followed by a brief history of portfolio entrepreneurship and then a thorough examination of the processes used by portfolio entrepreneurs. In the final sections of this chapter, previous academic studies will investigate the behaviors of the entrepreneurs, what effect prior experience in business has on them, and, finally, how they succeed in business by utilizing prior knowledge and learning from failure.

3.2 Definitions

The definitions of the various terms and the utilization of them by various studies are important to the overall meaning of this chapter.

3.2.1 Habitual entrepreneur

There are many ways entrepreneurship can be defined, but in order to understand entrepreneurship, one must heed the advice of MacMillan (1986) when he pioneered the process of investigating the phenomenon of the "business generator", also known as the habitual entrepreneur. Venkataraman et al (2002, p. 18) offer a simple yet inclusive definition for the habitual entrepreneur, "people who have started several new businesses".

It was in 1995 the two categories of habitual entrepreneurs were delineated. This is covered more thoroughly in the historical section of this paper; however, as it is important to the definition, Hall (1995) points out there are owners who possess one business after another, but only one business at any point in time. These entrepreneurs are serial owners. Then there are owners who own or start more than one firm at a time, these are portfolio owners. Both of these groups make up habitual entrepreneurs.

3.2.2 Portfolio entrepreneur

The following definition of a portfolio entrepreneur by Westhead et al (2005b) is used throughout this thesis:

> "Portfolio entrepreneurs are individuals who currently have minority or majority ownership stakes in two or more independent businesses that are either new, purchased and/or inherited" (Westhead, Ucbasaran, & Wright, 2005b, p. 73).

Alsos and Carter (2004) offered the following characteristic that must be considered and is what sets the portfolio entrepreneur apart from other types of entrepreneur, "the main differentiating feature of portfolio entrepreneurs is that they retain their original business while starting other ventures … (p. 1)" In a separate paper, Carter et al (2004) added a slightly different approach to identifying portfolio entrepreneurship by adding processes to what others offer as a simple definition. They indicated portfolio entrepreneurship offered the organization new growth opportunities and the term could refer to either a "product development or a diversification strategy" (p. 96). They also pointed out, when used in an international setting, portfolio entrepreneurship could refer to a market development as well as product development.

3.3 History of studies of the "Habitual Entrepreneur"

The body of literature concerning habitual entrepreneurs has explored the differences between the individuals responsible for creation of the small businesses that sustain our world economies both through their characteristics as well as their entrepreneurial processes. This section will offer an overview of the history of that research.

In one of the earliest mentions of habitual entrepreneurship, Oxenfeldt (1943) referred to a process of business ownership in which he indicated that many new businesses were actually being created by entrepreneurs who chose to discontinue one business in order to try another. This was a category of people he referred to as a professional entrepreneur class. He discussed why a person became an entrepreneur and outlined a type of entrepreneur who closes one business to start another. It was not until 1986 when MacMillan (1986) began to pursue the themes highlighted in Oxenfeldt's work. His seminal article, identifying the importance of habitual entrepreneurship and the characteristics of the entrepreneur, was the starting point of contemporary research interest in what later became known as portfolio entrepreneurship.

Much of the discussion over entrepreneurial traits or characteristics diminished when Gartner (1989) argued the fixation researchers had upon characteristics of the entrepreneur was a futile endeavor or 'the wrong question' (Sarasvathy & Menon, 2002). Instead, he proposed future study should concentrate on the activities of the entrepreneurs as they go about creating new organizations. This new direction by Gartner (1989) did, in fact, open doors to new research that included opportunity recognition, behavioral analysis, the social and cognitive processes, and the entrepreneurial processes in lieu of the typical characteristics being utilized to differentiate entrepreneurs (Bygrave & Hofer, 1991; Shaver & Scott, 1991). The study by Howorth et al (2005) is an example of the research that has been carried out following Gartner's direction. In that study, Howorth et al (2005) stated an entrepreneur cannot be delineated by utilizing their characteristics. Even though much of the study of characteristics of the entrepreneur was discontinued, there were still researchers who were interested and believed characteristics were still an important part of an entrepreneur (McGrath & MacMillan, 2000; Schmitt-Rodermund, 2004; Rauch & Frese, 2007; Ucbasaran, Westhead, & Wright, 2008).

There is still little consensus concerning the characterizations of a portfolio entrepreneur (McGrath & MacMillan, 2000; Schmitt-Rodermund, 2004; Ucbasaran, Westhead, & Wright, 2008). Literature will continue to be written, research into what the dynamics of entrepreneurship may be, and questions will continue to be asked as long as there are risk takers and innovators in the business community.

3.4 Portfolio entrepreneurship

Despite the growing interest in the subject, there have been remarkably few empirical studies of portfolio entrepreneurship. As a consequence, there is little practical data available about the subject. The methodologies utilized amount to only a few longitudinal studies and a few multivariate and univariate studies. There are studies which outline the reasons for the lack of longitudinal assessments and many of them called for more empirical and longitudinal studies.

Prior to 1988, most studies were "exploratory case analysis or cross sectional census taking studies that are not theory driven and do not test hypotheses" (Low & MacMillan, 1988, p. 155). In their paper, Low and MacMillan (1988) called for a change to this and encouraged researchers to begin utilizing data that was testable and not based entirely on assumptions. As a result of this call for more empirical studies, researchers began a trend toward more data driven studies. There is not a substantial amount of literature available that meets these criteria, but it has improved. Chandler and Lyon (2001) reviewed the literature that had been produced in the decade prior to 2000, analyzing the methodologies used by the authors to see if the call by Low and MacMillan actually produced results. They analyzed several of the top rated journals, and their findings indicated there are, in fact, "trends toward more multivariate statistics and some increase in the emphasis on reliability and validity" (Chandler & Lyon, 2001, p. 101) and downward trends in univariate statistical studies. The findings indicate there are still few longitudinal studies with only seven percent of the articles surveyed being longitudinal. As well as Chandler et al, Aldrich and Martinez (2001) addressed the problems associated with researchers shying away from the original question of entrepreneurship. They conclude, like others, most investigators have only made advances in the theory that surrounds entrepreneurship and have avoided the empirical studies that are so badly needed. In addition, they call for further studies into the feedback process entrepreneurs learned in their past experience and utilized when constructing new businesses.

The best explanation for the lack of longitudinal studies is given by Davidsson et al (2001), who began by indicating longitudinal research studies are difficult to carry out, due to the small and private character of some entrepreneurial ventures; therefore, "time series data are not available" (Davidsson, Low, & Wright, 2001, p. 12). It is notable that they indicated there is not a problem obtaining this information in the United Kingdom and Sweden, but in the United States, it is a problem. This may explain why the few studies that are available were produced using data from the latter countries. Davidsson et al (2001) also state there is little interest on the part of the entrepreneurs to cooperate with researchers over a long period of time, and if they do cooperate, they questioned whether the business venture remained the same over the extended period, as many changes occur within SME's on a regular basis. If research could be performed on the entrepreneur rather than the enterprise, a clearly identifiable record would emerge since people basically do not change but enterprises do. One final reason given is that tenure tracks for researchers may cause problems over the long run. The researchers may not wish to invest a great deal of effort into a program that will only be cut short due to changes in employment.

Several studies (Carter, 2001; Schutjens & Stam, 2006; Politis, 2008) have been undertaken as a need for more empirical studies has grown. Carter (2001) surveyed almost one-third of the farms in Cambridgeshire with her main investigation pursuing the difference between traditional farms and those who engaged in a variety of business activities. Approximately 40 percent of her results were from the “monoactive” farmer, the one engaged in only running the farm and doing little else. Twenty-two percent were “structural diversifiers”. These are the farmers that have not left the farm to pursue addition businesses but have diversified their farm to include moneymaking enterprises, such as bed and breakfasts, camping, water activities, and raising animals for hide production. Basically, they stay on the farm and search for income producing ventures. The third group Carter identified was the portfolio entrepreneurs. These are the individuals that remain on the farm but have interests outside their farm. They have diversified structurally and have taken it one step further by going outside the agricultural community to expand their holdings.

Carter’s analysis divided the groups according to their attitudes and characteristics. The results of the study revealed farmers that diversify are usually younger, more aware of opportunities, better trained, aware of and sensitive to customer needs, eager to pursue lateral growth opportunities, and, finally, they play an important role in expanding the enterprises that make up the rural community. The findings of her paper are important to show some of the basic characteristics of the portfolio entrepreneur.

Schutjens and Stam (2006) conducted a longitudinal study designed to detect the differences in their participants, entrepreneurs who have experienced a failure event. They analyzed 79 businesses which closed within five years of their start-up, attempting to detect differences between the entrepreneurs that have a desire to start a new business and those that do not carry that desire. By creating and comparing a set of determinants based on entrepreneurial intentions and comprehensions from the entrepreneurs after closing their business, they were able to reach a conclusion that most of the individuals surveyed continue to hold on to their “entrepreneurial intentions”, and many of those surveyed actually became serial entrepreneurs when they opened subsequent businesses. In closing, Schutjens and Stam requested future studies of entrepreneurs consider each of the types of entrepreneurs separately.

One final study to examine, by Politis (2008), was an investigation of novice and habitual entrepreneurs and the effect prior start up experience had on their ability to succeed in future endeavors. Her study posed three hypotheses outlining important differences in the two groups, but hypothesis three is of the most interest to this thesis as it concerns the attitudes of a failed habitual entrepreneur with that of a failed novice entrepreneur. The findings suggest the habitual entrepreneur will show a more positive attitude toward failure than will a novice, and the experienced entrepreneurs would see failure as a valuable learning tool. The importance of this study lies with the fact that many previous studies (Kirzner, 1985; Howorth, Tempest, & Coupland, 2005; Baron, 2006) dealt with the effect of failure on the portfolio entrepreneur's ability to recognize opportunity. This study examined prior experience in order to determine the effect of failure on other behaviors that include their skills, their preferences, and their attitudes toward new venture creation. To make the comparisons and contrasts between the groups, a well organized set of criteria must be in place. These must include using empirical data, differing characteristics and findings about the various groups of people or businesses.

3.5 Entrepreneurial processes

This section investigates the entrepreneurial processes literature that has been written and uncovers many of the varied themes within it. Studies (Hofer & Bygrave, 1992; Aldrich & Martinez, 2001) have attempted to understand the entrepreneurial process through identifying characteristics that would identify what it is that makes the entrepreneurial processes work. Aldrich and Martinez (2001) highlighted three advances they deemed necessary to understanding the entrepreneurial process. The first is knowledge. Knowledge is as important as capital and entrepreneurs must be able to learn faster than the average employee or non-entrepreneur. The second is sufficient capital. Most startups begin undercapitalized. Despite needing capital to weather bad times, most are still short of much needed resources. The third is networking. As well as knowledge and resources, networking with other firms, individuals, and organizations is crucial. As the study continued, the authors indicated new firms, innovation, and acquisition of human capital as characteristics of the entrepreneurial process. Hofer and Bygrave (1992) identified nine distinct characteristics they considered significant in the entrepreneurial process; they are presented verbatim:

1. Is initiated by an act of human volition
2. Occurs at the level of the individual firm
3. Involves a change of state
4. Involves a discontinuity
5. Is a holistic process
6. Is a dynamic process
7. Is unique
8. Involves numerous antecedent variables
9. Generates outcomes that are extremely sensitive to the initial conditions of those variables.

(Hofer & Bygrave, 1992, p. 93)

If one considered all of these characteristics together, it would challenge previously accepted theories of organization and economic models, specifically, "population ecology models of firm evolution and development" (Hofer & Bygrave, 1992, p. 93). The major attributes that would demand study, based on the nine characteristics, would be the entrepreneur (this would include a group of entrepreneurs) and the venture being created. If there is any limit to the research arena concerning processes, the most important factor one must consider is the entrepreneur.

Entrepreneurial intentions are the starting point for studies that compare and contrast the various frameworks that make up entrepreneurial processes. One such, by Drnovsek and Erikson (2005), stated the entire economic development of the nation is based on the capacity and activity of the entrepreneurs and their entrepreneurial intentions and processes. In this study, Drnovsek and Erikson (2005) compare these intentions with actual behavior to determine what constitutes the processes by which an entrepreneur goes from being a nascent entrepreneur to a portfolio entrepreneur. Utilizing information originally developed in the entrepreneurship field and comparing it to the behavioral traits developed in the expansive field of social perception and self-regulation, they did what few studies have achieved, and that is to utilize, as requested by Low and MacMillan (1988), different fields of study to analyze this subject. Their findings are, 1. Entrepreneurial intentions are predictable,

2. Education plays a big role in the formation of an entrepreneur, 3. Entrepreneurial intentions are influenced by the perception the entrepreneur has of their own abilities, and 4. Educational institutions should play a more significant role in goal setting and commitment by future entrepreneurs. Another study by Schutjens and Stam (2006) utilized three disciplines, psychology, labor economics, and sociology to examine entrepreneurial intentions that followed a business closure and what the results of those intentions turned out to be. They studied 79 firms which closed within five years of start-up. They found that, the entrepreneurial intentions of the business owner at the time of the closure could be considered a strong predictor of their future intentions as an entrepreneur. In spite of failing, a person with previous entrepreneurial experience would have a higher proclivity to start another business than a typical wage earner. Entrepreneurial experience, either through failure or success, will improve the level of entrepreneurship over time.

One recurring theme throughout the discussion of processes is the ability of habitual entrepreneurs to identify, create, and exploit business opportunities (Rosa, 1998; Shane, 2000; Davidsson, Low, & Wright, 2001; Iacobucci & Rosa, 2005). Studies consistently mention the fact habitual entrepreneurs have the ability, be it learned or otherwise, that enables them to identify opportunities that would be overlooked by a non-entrepreneurial individual. A study by Ucbasaran et al (2003), used a human capital perspective to explain the entrepreneurial process, which they contend is created by previous ownership of a business or a group of businesses. They discussed the two aspects of previous business experience they suspected were a part of the process. The first was posed by Starr and Bygrave (1991) which tied previous experience with a series of assets and liabilities the owner will take forward to new businesses, and the second is a dynamic aspect, which is based on cognitive behavior and the various learning methods used by entrepreneurs.

Rosa (1998, p. 44) states, "the creation of multiple businesses by an entrepreneur is also a process", and the inference that can be made from the term habitual entrepreneur is of an ongoing process which is continuously searching for and identifying opportunities that may be exploited by the entrepreneur. When one continues to pursue this activity for long enough time periods, a respectable portfolio of enterprises can be obtained by the entrepreneur. In this study, Rosa (1998) questioned what comprises the entrepreneurial processes, whether they are driven mainly by habitual entrepreneurs, and whether past experience could make a difference in the businesses success. Additionally, he examined whether the practice of multiple venture creation was truly an entrepreneurial process or was it a managerial process. In answering these questions, Rosa (1998) outlined several strategies that came into play in the entrepreneurial process, competitive efficiency, serendipity, strategic accommodation of serendipity, and strategic management of adversity, all of which play a part in the entrepreneurial process.

Reuber and Fischer's (1999) study developed a theory on the stock and stream of an entrepreneur, their experiences, and how this ties to the entrepreneurial process. The study relied mainly on the stream of experience as it is continuous and is constantly changing. The impact of experiences on the entrepreneurial process changes as the business goes through the various stages as well as random events that occur as the business progresses. This stream is continuously going into the stock of experience, which will determine the important parts of the information. The conclusion of their paper was both stock and stream of experience are important, and if one must choose only one to utilize, then and only then should the stream of experience be used as it may be more relevant due to the "dating" of the information in the stream. Westhead et al (2005a) discussed Reuber and Fischer's (1999) study, and they agreed an entrepreneur's stream of experience is important to the entrepreneurial processes, as it relates to experimentation and learning.

Iacobucci and Rosa (2005) work concerned the entrepreneurial processes and was directed at mid-sized firms and their growth. The studies were exploratory in nature and most did not attempt any quantitative analysis of the processes or attempt to compare them to other explanations of ownership clusters. They did point out growth in the firms was a result of the entrepreneurial processes in which the business owner is constantly looking for new opportunity, an action which resulted in an eventual buildup of a portfolio of firms.

The numerous studies concerning the process performance of portfolio entrepreneurs indicate there is no consensus as to whether habitual entrepreneurs perform better than non-habitual entrepreneurs (Starr & Bygrave, 1991; Westhead & Wright, 1998b; Kirschenhofer & Lechner, 2006; Schutjens & Stam, 2006).

> "There is a recognized need to focus on the discovery and exploitation of opportunities as a key aspect of the entrepreneurial process, which includes consideration of the influence of the individual in this process" (Davidsson, Low, & Wright, 2001, p. 9).

It is obvious the ability to recognize an opportunity, the stock of the entrepreneur's ability, acquisition of knowledge, adding value to an existing firm, or spinning off to create new ventures are all parts of the entrepreneurial process. Also obvious from this analysis of literature about entrepreneurial process is the lack of solid, empirical evidence about the subject, as well as any information about how entrepreneurs can use these processes or improve learning methods to better equip themselves to succeed in business.

3.6 Experience and prior knowledge

The previous chapter in this thesis analyzed failure and its effect on entrepreneurs and business in general and examined the influence of a failure experience, but few researchers have studied the impact experience has had on the entrepreneurial behavior (Shane, 2000). A search of current articles on portfolio entrepreneurs indicated this premise of failure carried forward a recurring theme in the form of past experience or prior knowledge. Studies (Cooper, 1981; Starr & Bygrave, 1991; Rerup, 2005) have alluded to experience as a crucial element in the success of a venture; however, it seems when an actual empirical study is carried out, the results often are not conclusive. Alsos and Kolvereid (1998) found, contrary to what was expected, that empirical testing failed to find a positive relationship between an entrepreneurs performance and their past startup experience. Experience does not guarantee success according to Shane and Venkataraman (2000).

The terms, “study” and “processes” all point to possessing prior knowledge as an important element for success. This view is similar to the view held originally by Low and MacMillan (1988) when they stated studies should focus on the creation of new enterprises. Regardless of its origins, prior knowledge from any source provides the entrepreneur an advantage in that they will have the ability to appreciate opportunities, comprehend those opportunities, and to put them to work in a successful enterprise (Shane, 2000). Opportunities are available for entrepreneurs in areas they know best, rather than an area which is popular, since the storage of information occurs long before an opportunity presents itself.

Cooper (1981) presented findings that there are three factors that influence an entrepreneur. Two of the three involved past experience; one being background which he said is the previous work experience, education and family, and two being incubator experience, which he indicated is geography, and interaction with other business starters. Successive studies cited this study as proof that experience was necessary in starting a business, especially one being started by a portfolio entrepreneur (Westhead & Wright, 1998a).

"How do entrepreneurs identify opportunities for new business ventures?" (Baron, 2006, p. 104) This question was utilized by Baron to introduce his paper concerning opportunity recognition. He suggested entrepreneurs utilized a cognitive framework they acquired through experience to recognize relationships between unrelated events and refers to this as "connecting the dots" (Baron, 2006, p. 108). He adduced this ability as a pattern recognition perspective and offered three important aspects to opportunity recognition he believed are present in most entrepreneurs. The first, entrepreneurs engage in active searches for opportunities, second, there is a certain amount of entrepreneurial alertness for opportunities, and third, entrepreneurs have a prior knowledge of their industry and in the markets in which they participate.

The first and third aspects of opportunity recognition, as presented by Baron (2006), have been researched by numerous scholars (MacMillan & Low, 1986a; Alsos & Kolvereid, 1998; Shane, 2000; Westhead, Ucbasaran, & Wright, 2004); however, the second characteristic of entrepreneurial alertness has seen little investigation and warrants additional research (Kirzner, 1985; Ucbasaran, Westhead, & Wright, 2003). Baron (2006) referred to alertness as a trait that enables entrepreneurs to recognize opportunities even though they are not actively searching for a new opportunity. In Baron’s (2006) paper he cites a book by Kirzner (1985), who introduced the term entrepreneurial alertness into the vernacular used in entrepreneurial research. Kirzner's (1985) definition stated entrepreneurs have “alertness to changed conditions or to overlooked possibilities". This would tend to indicate that entrepreneurs are not necessarily seeking new opportunities, but due to their alertness, they are able to identify and seize new prospects.

Baron (2006) continued by delineating several characteristics which make up this cognitive ability of alertness, including intelligence, creativity, optimism, and perceptions of risk. Any of these or any combination of them will enhance the abilities of the entrepreneurs to recognize and act upon the opportunities that being alert will offer.

Westhead et al (2005b) listed numerous illustrations of how experience sets the various types of entrepreneurs apart, but also how it can help a founder in their quest to start a new business. Some of their arguments are as follows:

1. Amount of experience may be different based on how many businesses they have owned.
2. Experience may provide much needed “human capital”.
3. Experience brings more assets to the new venture.
4. Attitudes of experienced versus non-experienced entrepreneurs are different.
5. Increased mechanical and supervisory skills.
6. Experience allows the entrepreneur to concentrate on more important issues as insignificant problems do not inconvenience him or her.
7. Experienced individuals are able to manage information quicker which allows them to become more inventive and resourceful. (Westhead, Ucbasaran, & Wright, 2005b)

The basic contention here was that portfolio entrepreneurs do benefit from the past experience but to what extent is still questionable. The findings are not completely conclusive; they add that much additional study is needed in this area to ascertain whether experience is, in fact, a positive asset for a business owner. Another study found that because of inexperience, novice entrepreneurs were unable to react to changing customer needs, and they were also unable or hesitant to change their way of operating when outside environmental issues warranted such change (Westhead, Ucbasaran, & Wright, 2005a).

Headd's (2003) findings agreed with the position that experience does make a difference in the life of an enterprise. He began by pointing out experience is expected to make a positive impact on the success of a firm as "lessons learned often translate into competent decision making" (Headd, 2003, p. 53). He then backs up this theory using United States Census Bureau information "BITS" and states success rates change for the better as the owner's age increases, a higher number of owners, and also the previous business experience of those owners.

This is one of the few studies offering empirical evidence that experience does, in fact, create a successful environment in which the entrepreneur can operate. Other papers (Caird, 1993; Brandstätter, 1997) discuss the psychology of entrepreneurship and entrepreneurial intentions and behaviors which must be functional in order to be successful in business. A paper by Drnovsek and Erikson (2005) discussed the various factors entrepreneurs must possess to find success. They stressed the entrepreneur must be studied rather than the enterprise, and there are numerous behavioral processes as well as non-motivational factors, which includes past experience, that motivate an entrepreneur. They arranged all the various factors together in a paper to explain why an entrepreneur must first be a nascent entrepreneur before they can become a novice, serial or portfolio entrepreneur. Their work is based on theories and past studies and lacks empirical evidence to back up their claims, one of the prevalent problems with studies of this nature.

Howorth et al (2005) and Metzger (2005) asserted instincts are important to an entrepreneur, and past experience affects those basic instincts. Failure experience in a previous business is one of those influencing factors. An entrepreneur will continue to accumulate experience throughout their business life, and their basic instincts are influenced by this accumulation. Metzger's (2005) study looked at whether this past experience, in the form of previous entrepreneurial activity, would bring negative benefits to a current enterprise. From a statistical standpoint, the findings indicated no negative outcomes by the habitual entrepreneur when compared to novice entrepreneur (Metzger, 2005).

Two studies (Cooper, 1970; Lamont, 1972) spoke positively about experience. Cooper (1970), in a quantitative study of businesspeople in Palo Alto, California, found entrepreneurs learn from past experience and carry that knowledge forward into new ventures. He studied 30 firms and found eight firm executives had previously been involved in a prior start-up, and all of them, without exception, agreed it was easier to start a second business, because of the experience they garnered in their first try, "both in regard to making the decision psychologically and in knowing what was involved in launching a firm" (Cooper, 1970, p. 75). Lamont (1972) is a proponent of entrepreneurs drawing on the experience of other more experienced businesspeople. His findings indicated obtaining financing was simpler for people with experience than for novices. However, as it pertains to financing, Westhead et al (1998b) disagreed with this finding and concluded financiers of new businesses should rely on a careful analysis of past profits and losses of former entrepreneurs rather than simply relying on one's past experience and analyze whether the person still has a motivation to start a new business. Rosa (1998) partially agreed with Westhead et al (1998b) in his follow-up study that concurred with the claim of a need for more qualitative studies concerning experience or the lack of experience and its effect on the entrepreneur's cognitive skills. He also advocated the double-checking of claims made by applicants against official records in future studies in lieu of simply accepting individuals' claims of entrepreneurial ability or ownership.

Studies abound that find past experience as being a liability to a portfolio entrepreneur. Starr and Bygrave (1991) stated the liabilities and disadvantages of experience outweigh the assets or advantages. Other studies concur with this conclusion and called for additional methodological research into this matter (Kolvereid & Bullvag, 1993; Westhead & Wright, 1998b; Ucbasaran, Westhead, & Wright, 2003; Westhead, Ucbasaran, & Wright, 2004). Reuber and Fischer (1999) also agreed with the premise that additional research must be undertaken by incubation programs before making final decisions concerning entrepreneurs. In their study, discussed earlier in this chapter under the heading "Entrepreneurial Processes", Reuber and Fischer (1999) examined the premise of "stream and stock" of experience and the consequences of experience, which they refer to as "reputational effect". If an individual is well known to a venture capitalist or any financier, borrowing is easier simply because of their reputation or past experience. This, according to the writers, is a problem that must receive further study and consideration as well as analysis by lenders.

Past experience results in generalized organizational skills, which consist of the ability to designate power, design motivations, and control of the outcomes that affect the performance of an enterprise. These skills will improve the success of the firm and are learned in two ways, through previous self-employment, such as portfolio entrepreneurs, and through past leadership roles (Weterings & Koster, 2005). However, other studies refute this assertion, such as one by Carter and Ram (2003) in which they stated in spite of complex analyses, no study has identified any major differences in the functioning of businesses started by habitual entrepreneurs when compared with businesses started by non-habitual entrepreneurs.

In closing this section, a quote from Alsos and Carter brings the entire question of past experience and prior knowledge to a conclusion one would draw upon reading many different studies about this subject. The fact this study drew on the agricultural industry is irrelevant as it is synonymous to all industries and still has tremendous impact on the entire study of habitual entrepreneurs and their past experience.

> "The "popular truth" not upheld by the evidence, however, is that the experience of previous venture experience endows habitual entrepreneurs with a greater propensity for business success. Within the research literature, there is almost no evidence to support such a view. Despite increasingly sophisticated analyses, no study has yet been able to identify significant differences in the performance of businesses started by habitual founders (Alsos & Carter, 2004, p. 1)".

3.7 Ownership cluster formation

A business ownership cluster, as defined in this paper, is a group of firms in linked industries that thrive on proximity and mutual support, and as Rosa and Scott (1999) stated, in a cluster all the firms involved in the cluster, even though owned by various individuals, revolved around the initiatives of only a single entrepreneur or one group of entrepreneurs. This definition is a partial description of portfolio entrepreneurship, and it is because of this, ownership clusters must be analyzed in any study of portfolio entrepreneurs. Past studies have attempted to explain why an entrepreneur would desire opening numerous businesses, but Fry (1993, p. 333) outlined the reason with great clarity:

> "Separating two ventures clearly makes each exist on its own merits. This helps solve one of the main problems of multiple venture organizations, the unwarranted mixing of assets, personnel, expenses and attention between one or more businesses".

As with studies involving portfolio entrepreneurs, business cluster studies lack empirical evidence; however, in a chapter that does offer empirical data, Schollhammer (1991) disclosed 80 percent of subsequent business ventures started by entrepreneurs are in industries that are related to their first business venture. When they open a third business, this rate drops to 52 percent but then rises as they continue to open more firms. One interesting part of his study indicates if a firm is built in an unrelated industry, the firm will have a higher rate of success than if it is in a related industry. In that same study, he pointed out 51% of all entrepreneurs are habitual entrepreneurs. Another study by Rosa and Scott (1999) offered empirical research based on data from Scottish firms discovered 22 percent of SME business clusters in Scotland have five or more firms united to take advantage of the strengths cluster formation has to offer. One other factor, and one that should call for additional study, is the fact firms within the cluster may fail to grow, but the cluster will continue to develop overall as the entrepreneurs use their existing financial strength and knowledge from experience to continue to start new firms (Scott & Rosa, 1996) . In a follow-up study, Rosa and Scott (1999) showed the firms in clusters had a lower failure rate, in addition to having the ability to grow with greater ease.

Studies (Scott & Rosa, 1996; Rosa & Scott, 1999; Iacobucci & Rosa, 2005) have dealt at length about the creation of clusters and how the development of those groups resulted in growth of additional firms for the portfolio entrepreneur. Carter (2001) approached the subject from an agricultural standpoint, Rosa (1998) analyzed it from a family owned business point of view, Westhead et al (1998a; Westhead & Wright, 1998b) came from a processes methodology, and Iacobucci et al (2003; Iacobucci & Rosa, 2005) and Pasanen (2003) came from a diversification and processes perspective. Regardless of the methodology, studies will continue to suggest this increase in business ownership is an attempt by the entrepreneur to diversify their portfolio or an attempt to carry out a predestined strategy of growth that seems to be prevalent among entrepreneurs.

Carter (2001) discussed pluriactivity in agricultural circles that describes the activity of combining farming with other income producing actions. Pluriactivity is the same as business cluster formation in other industries. Carter's (2001) study offered empirical data to back up the prevalence of clusters in the farming community. In a study of Italian business, Iacobucci and Rosa (2005) found diversification is widespread within a cluster. Their findings, at first, indicated there was only a small amount of diversification within the group, but after refining their data further than originally done, they found differentiation in the SME's was actually similar to previous studies and this diversification is important to the growth of the cluster. Other studies pointed to the multiple entrepreneurs who were creating many diverse businesses and are simply carrying out their master plan, one that is fundamental to their overall strategy for success. A study by Pasanen (2003) holds this previous statement to be true. He stated one-half of all firms in his study were not related to the other businesses owned by the entrepreneur and by owning a variety of firms, the entrepreneur is taking advantage of the economies of scale that are valuable and other efficiencies that are available to multiple business owners. For whatever reason, the entrepreneur is expanding their business, be it diversification, or the need to offer ancillary businesses for an existing business, or to aid their families in being successful, the pattern of ownership cluster development will continue as clusters provide apparent protection for the firms that make up the entrepreneur's holdings, the families involved, or the entrepreneur.

3.8 Research issues and knowledge gaps

Carter and Ram (2003) analyzed mainstream literature on portfolio entrepreneurship taken from economic sociology, cultural anthropology and agricultural economics in an attempt to provide an insight into the motivations, approaches, and processes involved in the study of this subject. Their paper is divided into several sections that delve into portfolio entrepreneurship from a variety of perspectives: prevalence of portfolio entrepreneurs, motivation of the portfolio entrepreneur, and the processes by which habitual owners start and operate their businesses.

One of the main focuses of the paper by Carter and Ram (2003) was a call for future studies and the author's suggestions for potential concentrations in that literature. The first consideration is to redefine the unit of analysis. The authors point out past studies have concentrated on either the entrepreneur or the enterprise, or, in the case of a family owned business, such as a farm, the family. To concentrate only on one of these is a mistake, and future studies should concentrate on all three or at least a blended mix of the three groups. Their second consideration is to focus on specific strategies that the portfolio entrepreneurs used for success, and also the determinants of portfolio entrepreneurship that led to failure (Carter & Ram, 2003). Their last consideration is to "examine the process" (2003, p. 378). This should include an investigation into the development of networks, the use of family relationships, and the involvement of stakeholders.

Examined literature indicated that up to this point the processes which have been evaluated include networking, the use of the family unit, and the make up of the "stakeholders" in the enterprise. Carter and Ram suggest a more direct focus be placed on these items in future studies and should include an investigation of the type of resources used by entrepreneurs, as well as their networks, and any social variables which may affect their ability to use their resources. In this case, resources refer to knowledge and capital and social variables are the community in which they live and their families (Carter & Ram, 2003).

If one is to study the processes involved, then additional items should be examined. These include the evolution of the process of entrepreneurship, the blueprints an entrepreneur may follow that varies from the norm, the relationship between the firms that make up the cluster, and the "performances derived from the port-folio, and the performance relationship between each element" (Carter & Ram, 2003, p. 378). Carter and Ram's (2003) paper brought different disciplines of study into their examination and the results of each that blended to give an excellent overview of entrepreneurial research and directions for future studies.

Chandler and Lyon (2001) investigated the amount of empirical evidence used in current literature. They trace the progression of the various methodologies that have been utilized in entrepreneurial research and offer suggestions about future methodologies and the context in which they should be delivered. Findings indicate researchers "must move away from exploratory studies and towards causality" (Chandler & Lyon, 2001, p. 112), just as Low and MacMillan (1988) urged, when they called for habitual entrepreneurial research.

The calls for additional research have resulted in an increase in a process oriented view of portfolio entrepreneurs and have shifted the attention toward entrepreneurship being a continuous learning experience. Politis (2008) indicated, entrepreneurship is not a characteristic or trait driven process but is an ability that one builds gradually, over time, as they go about their day to day activities of being a business starter and using entrepreneurial processes that have developed with their experience. Cope (2005, p. 375) has indicated that "several seminal articles have already undermined the credibility of this trait-based perspective" citing Gartner (1988) and Shaver (1995).

Based on Gartner (1989), many of the characteristic studies were discontinued, yet there were still researchers who were interested and believed characteristics were an important part of an entrepreneur (McGrath & MacMillan, 2000; Schmitt-Rodermund, 2004; Rauch & Frese, 2007; Ucbasaran, Westhead, & Wright, 2008). Rauch and Frese (2007) found that personality traits or characteristics of the entrepreneurs were valid predictors of entrepreneurial behavior hence leading to their ability to recognize opportunities and their achievement motivations. More directly, their findings are that:

> "Business owners' personality traits were positively related to business creation and business success … found higher correlations for personality traits matched to entrepreneurship than for traits not matched to the task of entrepreneurship… personality is related to business creation … those traits that are matched to the tasks of entrepreneurs showed significantly higher relationships than those that are not (Rauch & Frese, 2007, p. 369)"

Other researchers have provided evidence that there is validity in studying characteristics such as personality traits, and state that additional research is needed to analyze the relationship between the various attributes (Stewart & Roth, 2001; Collins, Hanges, & Locke, 2004; Zhao & Seibert, 2006; Stewart & Roth, 2004). Portfolio entrepreneurs share many characteristics as pointed out by McGrath and MacMillan (2000), many of which begin in early childhood, and develop into specialized competencies as they age (Schmitt-Rodermund, 2004). Due to the finding that habitual entrepreneurs share many of these same traits, it appears there has been resurgence in research interest in entrepreneurial characteristics. One must not limit this research to empirical studies of only characteristics, but must include, using a priori data, the different characteristics and findings with reference to the various groups of people or businesses. Articles will continue to call for more analytical analysis of data for inclusion into future papers, and by using methods as outlined in this section, literature will become more accurate and useful to the entities that utilize this data for future decisions that involve the entrepreneurs and businesses they create. Due to the number one objective of this study, it seems imperative that an investigation into the entrepreneur's characteristics is warranted.

3.9 Conclusion

This chapter addressed the current literature available on portfolio entrepreneurship and assessed it for content as well as an attempt to redirect the flow of future documents. The research uncovered a trend which indicated literature on the subject of portfolio entrepreneurship was either too broad, too narrow, or overlooked certain entrepreneurial traits, characteristics, or the individuality of the person or business that was investigated by the study. As with the "failure" chapter in this thesis, all the studies covered in this chapter on portfolio entrepreneurs will aid in the future work by researchers and work that will be completed in this thesis. It was understandable with the variety of studies that have been considered for this chapter that there was an underlying theme that the seminal paper by Low and MacMillan (1988) is the linchpin of future studies of portfolio entrepreneurship, yet, it was imperative that their findings be expanded upon as this research progressed.

The subject of failure, as covered in the previous chapter of this thesis, and portfolio entrepreneurship in this chapter, deserved combined and concentrated research attention. Portfolio entrepreneurs have sustained continuous business failures throughout their entrepreneurial careers, and their experiences of the failure process offer beneficial insights for less experienced entrepreneurs as well as future research. Studies, such as this one, should include, as a unit of analysis, the enterprise, the entrepreneur, and the processes utilized by the entrepreneurs (Carter & Ram, 2003). This will enable a balanced overview of entrepreneurial research, and studies which focus primarily on the enterprise or on the entrepreneur are missing an intricate relationship between these two that must be observed in future studies.

The history of portfolio entrepreneurship is delineated thoroughly in this chapter as is the practice which was first identified in 1943 (Oxenfeldt, 1943). In terms of longevity, the field is quite young. MacMillan et al (1986b) first identified the importance and characteristics of habitual entrepreneurship and contemporary research began as a result. An important part of this research discovered three key processes utilized by portfolio entrepreneurs (Aldrich & Martinez, 2001), knowledge, sufficient capital, and networking. Being able to learn rapidly, or at least faster than a non-portfolio entrepreneur is important, being undercapitalized will create undue hardships for a start-up, as will a lack of a proper network of other firms and individuals who can offer support to the new firm.

A recurring theme throughout the processes research is the ability of the portfolio entrepreneur to exploit their opportunity recognition skills (Rosa, 1998; Shane & Venkataraman, 2000; Davidsson, Low, & Wright, 2001; Low, 2001; Iacobucci & Rosa, 2005). These skills created a direct link to experience and prior knowledge which according to Kirzner (1985) is entrepreneurial alertness. This indicated that entrepreneurs do not always seek only new opportunities, but due to their alertness, are able to identify and seize new prospects. This area of characterizations should be thoroughly investigated as this thesis moves forward as it will enable research to more completely understand what trait or ability enables portfolio entrepreneurs to continue to open new firms, even in the face of failure.

Research on portfolio entrepreneurship must examine risk and risk aversion. This important characteristic (Cooper, Woo, & Dunkelberg, 1988; Caird, 1993; Schmitt-Rodermund, 2004; Low, Henderson, & Weiler, 2005) connects directly with a portfolio entrepreneurs optimism, another important aspect that warrants future research. Based on the number one objective of this thesis, *to explore the characteristics of the portfolio entrepreneur and the businesses involved in a failure,* it seems imperative that a research goal of this thesis should be to determine whether shared characteristics do exist among portfolio entrepreneurs and whether future studies should include this field of study. Characteristic investigation is contrary to

Gartner (1989) who stated that characteristics study is a futile effort and is basically the wrong question to ask.

For this thesis, the definition offered by Westhead et al will be the basis for the investigation into the effect of failure on the entrepreneur, the enterprise, and the remaining firms in the portfolio of the entrepreneur.

> "Portfolio entrepreneurs are individuals who currently have minority or majority ownership stakes in two or more independent businesses that are either new, purchased and/or inherited" (Westhead, Ucbasaran, & Wright, 2005b, p. 73).

Only a thorough investigation of active portfolio entrepreneurs will ensure the attainment of the goals of this thesis, and the following chapters will outline the conceptual framework as well as the methodologies which will be utilized in accomplishing these goals.

Table 3.1 Overview of entrepreneurial characteristics

Author	Characteristics	Article Title
Schmitt-Rodermund, (2004)	1. High need for achievement show creativity initiative 2. Risk takers 3. Self-confident 4. Possess an internal locus of control 5. Need independence 6. Need autonomy 7. Accomplish their tasks with great energy and commitment 8. Create new products, processes, and services	Pathways To Successful Entrepreneurship: Parenting, Personality, Early Entrepreneurial Competence, And Interests
Caird, (1993, p. 11)	1. Innovative 2. Risk-taking 3. Business owner-managers	What Do Psychological Tests Suggest About Entrepreneurs?
Low Henderson Weiler (2005, p. 63)	1. People who start their own business with qualities that set them apart from other businesspeople in the business world 2. Self-employed decision making, owner-managers 3. Risk takers who reap the rewards for their success or they "bear the consequences of failure	Gauging A Region's Entrepreneurial Potential
Shane (Shane, 2000, p. 468)	1. Entrepreneurs are people who have engaged in behavior to discover, evaluate, and exploit opportunities	Prior Knowledge And The Discovery Of Entrepreneurial Opportunities
Alsos Carter (2004, p. 1)	1. They retain their original business while starting other ventures	Portfolio Entrepreneurship: Resource Transfer And Performance Consequences
Howorth Tempest Coupland (2005, p. 31)	1. Opportunity recognition 2. Entrepreneurs are born 3. Can start a business with little or no capital 4. Anyone can be an entrepreneur that is given the right opportunities	Rethinking Entrepreneurship Methodology And Definitions Of The Entrepreneur
McGrath MacMillan. (2000, pp. 2, 3)	1. They seek new opportunities 2. Enormous discipline 3. Pursue only the very best opportunities 4. Focus on adaptive execution 5. Engage the energies of everyone in their domain	The Entrepreneurial Mindset: Strategies For Continuously Creating Opportunity In An Age Of Uncertainty
Iacobucci Rosa (2005, pp. 74, 82)	1. They continue to build firms	Growth, Diversification, And Business Group Formation In Entrepreneurial Firms

Table 3.2 Overview of portfolio entrepreneurial articles

Authors	Article Title	Research Topic	Unit Of Analysis
Aldrich, Howard E. Martinez, Martha Angelia	Many are called, but few are chosen: an evolutionary perspective for the study of entrepreneurship	Three elements indispensable to an understanding of entrepreneurial success: process, context, and outcomes. This study discusses how they interact to shape the outcomes of entrepreneurial efforts	Entrepreneurial processes
Gry Agnete Alsos	Portfolio Entrepreneurship: General and Farm Contexts	This is a dissertation that examines the portfolio entrepreneur and their business activities that are key to their success	Farmers and portfolio entrepreneurs
Alsos, Gry Agnete Carter, Sara	Portfolio Entrepreneurship: Resource Transfer And Performance Consequences	This paper examines the extent of resource transfer between original and new firms and the subsequent effect on new venture performance.	Habitual entrepreneurs
Alsos, Gry Agnete Kolvereid, Lars	The business gestation process of novice, serial, and parallel business founders	Examines the new business gestation process among three categories of entrepreneurs: novice founders, serial founders, and parallel founders.	Novice, serial, and habitual entrepreneurs
Baron, Robert A.	Opportunity Recognition as Pattern Recognition: How Entrepreneurs "Connect the Dots" to Identify New Business Opportunities	This study examines utilizing human cognition frameworks to identify opportunities.	Entrepreneurs
Bygrave, William D. Hofer, Charles W.	Theorizing about Entrepreneurship	Researches the problems caused by researchers' inability to agree on a definition of entrepreneurship. It characterizes the entrepreneurial process, and then the article will offer suggestions of what an "ideal" model of entrepreneurship should comprise.	Entrepreneurs and entrepreneurship

Authors	Article Title	Research Topic	Unit Of Analysis
Caird, Sally P.	What do psychological tests suggest about entrepreneurs?	To explore the nature of the entrepreneur or to assess so-called significant entrepreneurial characteristics	Entrepreneurs
Carter, Sara	Multiple business ownership in the farm sector - Differentiating monoactive, diversified and portfolio enterprises	This paper reports results of a survey examining the role of farms in the creation of new businesses in rural areas. Three groups of farmers were identified, based on their relative engagement in additional business ownership activities: monoactive farmers; structural diversifiers; and portfolio business owners.	Farmers
Carter, Sara Ram, Monder	Reassessing portfolio entrepreneurship	This article analyses research on portfolio entrepreneurship that has been derived from a wide range of subject literatures, including economic sociology, cultural anthropology and agricultural economics.	Portfolio entrepreneurs
Carter, Sara Ram, Monder Dimitratos, Pavlos	Portfolio entrepreneurship: a description and its link to international entrepreneurship	A description of portfolio entrepreneurship and how it is linked to global entrepreneurship	Portfolio entrepreneurs
Chandler, Gaylen N. Lyon, Douglas W.	Issues of research design and construct measurement in entrepreneurship research: the past decade	Articles appearing in the mainstream entrepreneurship literature in the past decade are reviewed with respect to the methodologies employed.	Entrepreneurial articles appearing in business journals
Cooper, A.C.	Strategic Management: New Ventures and Small Business	Explores the strategic management decisions that are taking place inside large and small firms and examines the differences in the two	Large and small firms

Authors	Article Title	Research Topic	Unit Of Analysis
Davidsson, Per Low, Murray B. Wright, Mike	Low and MacMillan Ten Years On: Achievements and Future Directions for Entrepreneurship Research	Examines the progress of entrepreneurial studies ten years after Low and MacMillan called for entrepreneurial research	Entrepreneurial articles
Drnovsek, Mateja Erikson, Truls	Competing Models Of Entrepreneurial Intentions	In order to become portfolio entrepreneurs, individuals must first become nascent entrepreneurs. In this study, two competing frameworks are compared and contrasted.	Novice, serial and portfolio entrepreneurs
Gartner, W.B.	Who is an entrepreneur? Is the wrong question	This paper examines the practice of studying the characteristics of the entrepreneur. The outcome is processes rather than characteristics should define the entrepreneur	Entrepreneurs
Headd, Brian	Redefining business success: Distinguishing between closure and failure	Examines the closure rates of U.S. businesses and the factors that were involved in those failures	Failed businesses
Hofer, Charles W. Bygrave, William D.	Researching entrepreneurship	Examines entrepreneurial processes and offers methodologies for future studies	Entrepreneurial and research processes
Howorth, Carole Tempest, Sue Coupland, Christine	Rethinking entrepreneurship methodology and definitions of the entrepreneur	The paper aims to highlight the potential of paradigm interplay for providing greater insight into entrepreneurship research, in this case definitions of the entrepreneur.	Entrepreneurs and entrepreneurial literature
Iacobucci, Donato Rosa, Peter	The Process of Business Group Formation by Habitual Entrepreneurs: Entrepreneurial Dynamics and Organizational Setting	This paper analyzed the causes and mechanisms of business group formation by habitual entrepreneurs.	Italian manufacturing businesses

Authors	Article Title	Research Topic	Unit Of Analysis
Iacobucci, Donato Rosa, Peter	Growth, Diversification, and Business Group Formation in Entrepreneurial Firms	Business clusters	Assorted firms that have created clusters
Kirschen hofer, Florian Lechner, Christian	Long-term performance of habitual entrepreneurs – which direction to go?	Examines the performance of habitual entrepreneurs	Habitual entrepreneur
Low, Murray B.	The adolescence of entrepreneurship research: specification of purpose	The strengths and weaknesses of entrepreneurial research	Researchers and past literature
Low, M. B MacMillan, I. C.	Entrepreneurship: Past Research and Future Challenges	The contributions and shortcomings of past entrepreneurship research	Researchers and past literature
Low, Sarah Henderson, Jason Weiler, Stephan	Gauging a Region's Entrepreneurial Potential	This article develops measures of entrepreneurial breadth and depth and uses them to gauge entrepreneurial activity across the US.	Entrepreneurship
Lumpkin, G. T. Dess, Gregory G.	Clarifying The Entrepreneurial Orientation Construct And Linking It To Performance	The primary purpose of this article is to clarify the nature of the entrepreneurial orientation (EO) construct and to propose a contingency framework for investigating the relationship between EO and firm performance.	Entrepreneurial processes
MacMillan, I.C.	To really learn about entrepreneurship, let's study habitual entrepreneurs	This is a call for study of the habitual entrepreneur	Habitual entrepreneur

Authors	Article Title	Research Topic	Unit Of Analysis
McGrath, Rita Gunther MacMillan, I. C.	The Entrepreneurial Mindset: Strategies for Continuously Creating Opportunity in an Age of Uncertainty	This book chapter is designed to show how entrepreneurs think, how they behave, and exactly what it is that they do so well.	Entrepreneurs
Metzger, Georg	Suffering a business failure: who takes heart for restart?	Examines business failures, namely bankruptcies, to understand the transition from being novice to becoming a habitual entrepreneur.	Novice and habitual entrepreneurs
Oxenfeldt, Alfred R.	New Firms and Free Enterprise: Pre-War and Post-War Aspects	A book that outlines the characteristics of the entrepreneur and calls for study of the entrepreneur	Entrepreneurs
Pasanen, Mika	Multiple entrepreneurship among successful SMEs in peripheral locations	This article explores the prevalence of multiple entrepreneurship among successful small and medium-sized enterprises (SMEs) in peripheral locations, and compares SMEs owned by multiple business entrepreneurs with SMEs owned by single business entrepreneurs.	Single business owners and habitual entrepreneurs
Politis, Diamanto	Does prior start-up experience matter for entrepreneurs' learning?: A comparison between novice and habitual entrepreneurs	A study of the role of prior start-up experience as a source of learning in the entrepreneurial process. Three learning outcomes are examined with respect to a comparison between habitual and novice entrepreneurs: skills for coping with liabilities of newness, preference for effectual reasoning, and attitudes towards failure.	Novice and habitual entrepreneurs

Authors	Article Title	Research Topic	Unit Of Analysis
Rauch, Andreas Frese, Michael	Let's put the person back into entrepreneurship research…	A full analysis of personality traits that includes a comparison of different traits from a theoretical perspective and by analyzing a full set of personality predictors for both start-up activities as well as success.	Entrepreneurs
Reuber, A. Rebecca Fischer, Eileen	Understanding the consequences of founders' experience	The value that founders' experience brings to a business	Entrepreneurs
Rosa, Peter	Entrepreneurial processes of business cluster formation and growth by 'habitual' entrepreneurs	Business cluster analysis.	Portfolio entrepreneur
Rosa, Peter Scott, Michael	The prevalence of multiple owners and directors in the SME sector: implications for our understanding of start-up and growth	This paper aims to present a study of the role of prior start-up experience as a source of learning in the entrepreneurial process among portfolio entrepreneurs	Portfolio entrepreneur
Schmitt-Rodermund, Eva	Pathways to successful entrepreneurship: Parenting, personality, early entrepreneurial competence, and interests	Personality traits and parenting may relate to entrepreneurial competence and entrepreneurial interests	10th Grade students and 139 small business founders from Germany
Schutjens, V. Stam, E.	Starting Anew: Entrepreneurial Intentions and Realizations Subsequent to Business Closure	Most businesses fail. But what is not known is to what extent failed ex-entrepreneurs set up in business again. The objective of this article is to explore potential and realized serial entrepreneurship. Based on three disciplines – psychology, labor economics, and the sociology of careers	Failed entrepreneurs

Authors	Article Title	Research Topic	Unit Of Analysis
Shane, Scott	Prior knowledge and the discovery of entrepreneurial opportunities	Opportunity recognition	Entrepreneurs
Scott, Michael Rosa, Peter	Opinion: has firm level analysis reached its limits? Time for a rethink.	A new look at present approaches to small business research. It is possible that existing research does not place enough emphasis on the key elements of a capitalist economy and that there is not a large enough political element in research.	Entrepreneurial firms
Shane, Scott Venkataraman, S.	The Promise of Entrepreneurship as a Field of Research	In this note we draw upon previous research conducted in the different social science disciplines and applied fields of business to create a conceptual framework for the field. With this framework we explain a set of empirical phenomena and predict a set of outcomes not explained or predicted by conceptual frameworks already in existence in other fields.	Prior literature
Shaver, Kelly G. Scott, Linda R.	Person, Process, Choice: The Psychology of New Venture Creation	The article examines the possibility that relatively enduring attributes of the person might affect entrepreneurial activity, describes the social cognitive processes involved in constructing representations of the external environment, and suggests which motivational variables affect behavioral choices.	Entrepreneurs
Starr, Jennifer Bygrave, William D.	The assets and liabilities of prior start-up experience: An exploratory study of multiple venture entrepreneurs	Past experience in portfolio entrepreneurs	Portfolio entrepreneur

Authors	Article Title	Research Topic	Unit Of Analysis
Ucbasaran, Deniz Westhead, Paul Wright, Mike	Does Entrepreneurial Experience Influence Opportunity Identification?	Study was conducted to ascertain how novice and experienced entrepreneurs differ in their identification of business opportunities.	Novice, serial and portfolio entrepreneurs
Ucbasaran, D Westhead, P Wright, M	Opportunity Identification and Pursuit: Does an Entrepreneur's Human Capital Matter?	Extending human capital approaches to entrepreneurship, an entrepreneur's "inputs" relating to their general and entrepreneurship-specific human capital profile are presumed to be related to entrepreneurial "outputs" in the form of business opportunity identification and pursuit.	Novice, serial and portfolio entrepreneurs
Venkataraman, S	Entrepreneurship: Creating Something New and of Enduring Value with Very Limited Resources	A study of the resources needed for new firm creation and how to succeed with limited resources.	Enterprises and entrepreneurs
Westhead, P Ucbasaran, D Wright, M	Experience And Cognition: Do Novice, Serial And Portfolio Entrepreneurs Differ?	Some policy makers and practitioners are considering whether resources could be more effectively utilized if they were targeted towards experienced rather than the provision of additional initiatives to increase the pool of inexperienced novice entrepreneurs. To inform this policy debate, similarities and differences between novice, serial and portfolio entrepreneurs are highlighted.	Novice, serial and portfolio entrepreneurs
Westhead, Paul Ucbasaran, Dennis Wright, Mike	Decisions, Actions, and Performance: Do Novice, Serial, and Portfolio Entrepreneurs Differ?	A conceptual framework is extended to take into account differences between inexperienced novice entrepreneurs (that is, individuals with no prior private business ownership experience) and experienced serial and portfolio entrepreneurs.	Novice, serial and portfolio entrepreneurs

Authors	Article Title	Research Topic	Unit Of Analysis
Westhead, Paul Ucbasaran, Dennis Wright, Mike	Experience and cognition: do novice, serial and portfolio entrepreneurs differ?	Whether resources could be more effectively utilized if they were targeted towards experienced entrepreneurs	Novice, serial and portfolio entrepreneurs
Westhead, P Wright, M	Novice, portfolio, and serial founders in rural and urban areas	In this study, rural firms owned by novice, portfolio, and serial founders were compared. In addition, urban firms owned by novice, portfolio, and serial founders were compared. Similarities as well as differences in the personal background, work experiences, reasons leading to the start-up of businesses, and personal attitudes to entrepreneurship of these three types of founders were explored.	Novice, serial and portfolio entrepreneurs
Westhead, P Wright, M	Novice, portfolio, and serial founders: are they different?	First, it outlines a conceptual typology of habitual entrepreneurs who have founded, purchased, or inherited businesses. Second, the empirical part of the study focuses on owner-managers, providing an exploratory analysis of the characteristics and effects of independent business ownership by novice, portfolio, and serial founders.	Novice, serial and portfolio entrepreneurs

CHAPTER 4

RESEARCH AIMS AND CONCEPTUAL FRAMEWORK

4.1 Introduction

This chapter presents the conceptual framework that underpins this study. Miles and Huberman (1994) described a conceptual framework as explaining through the use of graphics or narratives, the main topics that comprise a research study, the key factors involved, and the presumed relationship each shares with the others. Creswell (2003) advocated adoption of a conceptual framework to give guidance throughout all facets of the study, from considering the general conjectural ideas to fleshing out details contained in the data and being prepared to perform a quality analysis by using proper procedures. A framework assists in explaining why a project is undertaken in a certain way, building on and extending prior research within the field.

The review of prior literature, presented in chapters two and three, offered an examination of the literature on failure and explored the role and importance of portfolio entrepreneurs. Chapter two explored notions of business failure, focusing on the rate at which businesses fail, the effect of failure on the economy, and the factors that precipitate failure. This review revealed there has been little exploration or examination of the consequence failure has on the portfolio entrepreneur that created or obtained the business and what is left of their organization and resources after the failure event. In addition, scant research has been undertaken examining the after-effect of failure on the entrepreneur and their ability to continue developing new businesses or on the remaining businesses. Chapter three dealt with the habitual or portfolio entrepreneur, who they are, what sets them apart from others, and why do they have the ability to create numerous businesses successfully when others can scarcely manage one small business. It also provided an understanding of what the portfolio entrepreneur is and what sets him or her apart from others.

4.2 Research aim and objectives

The aim of this thesis is to examine the effects of business failure on the portfolio entrepreneur, the surviving businesses, and their ability to continue to perform as a business creator after a failure.

The precise research objectives are as follows:

1. *To explore the characteristics of the portfolio entrepreneur and the businesses involved in a failure.*
2. *To explore the entrepreneur's motivations for multiple business ownership and the relationships that exist between the various businesses that the entrepreneur has started.*
3. *To explore the entrepreneur's perceptions of the antecedents and causes of the businesses failure and to examine any exit strategies deployed by the entrepreneur to divest the failed business.*
4. *To explore the managerial issues that arose from the failure and the effect of the failure on the entrepreneur and the remaining enterprise.*
5. *To examine the consequences of the business failure on the future entrepreneurial plans of portfolio entrepreneurs.*

4.3 Unit of analysis

Prior to determining the unit of analysis for this case study, one must first understand what constitutes a unit of analysis. There are ambiguities present among the authors who have written on this subject, but it seems that many do agree the unit of analysis of the case study is the case study itself (Feagin, 1991; Vaughan, 1992; Patton, 2001; Yin, 2003). In addition, Miles and Huberman (1994, p. 25) stated qualitative researchers have problems determining what their case is and how far should one investigate a case. They defined a case as some sort of a phenomenon which occurs in a restricted context. In other words, the case itself is the unit of analysis.

The focus of the study is at the heart of the case; therefore, the case is the unit of analysis. Berg (2003) disagrees with these assessments and stated a case study must have a separate and distinct unit of analysis, one which will define and give focus to the study. This unit of analysis, according to Berg (2003), should be an individual, a group, an organization, or some other genuine unit. Yin (2003) carries this further by including events or an entity that is not as well defined as an individual unit of study

It is conventional practice to identify and focus on one unit of analysis; however, in this study the unit of analysis is both the individual entrepreneur and the group of businesses owned by the entrepreneur. In this regard, the study adopts the advice of Carter and Ram (2003), who argued portfolio entrepreneurship research requires multiple units of analysis in order to capture the complexities of the process and the relationship between the individual and the various businesses they own. The identification of the individual and the firm as units of analysis reflects the main concerns among entrepreneurship researchers who have focused on both of these elements.

In attempting to determine the unit of analysis, one should review the questions that must be answered about the subject, and why the subject of the case was chosen. In this case, the primary unit of analysis is the portfolio entrepreneur and their enterprises and will entail an in-depth analyzation of the person and their businesses. This will reveal what the future holds for both, and the effect of a discontinuance of business on all of the entities involved.

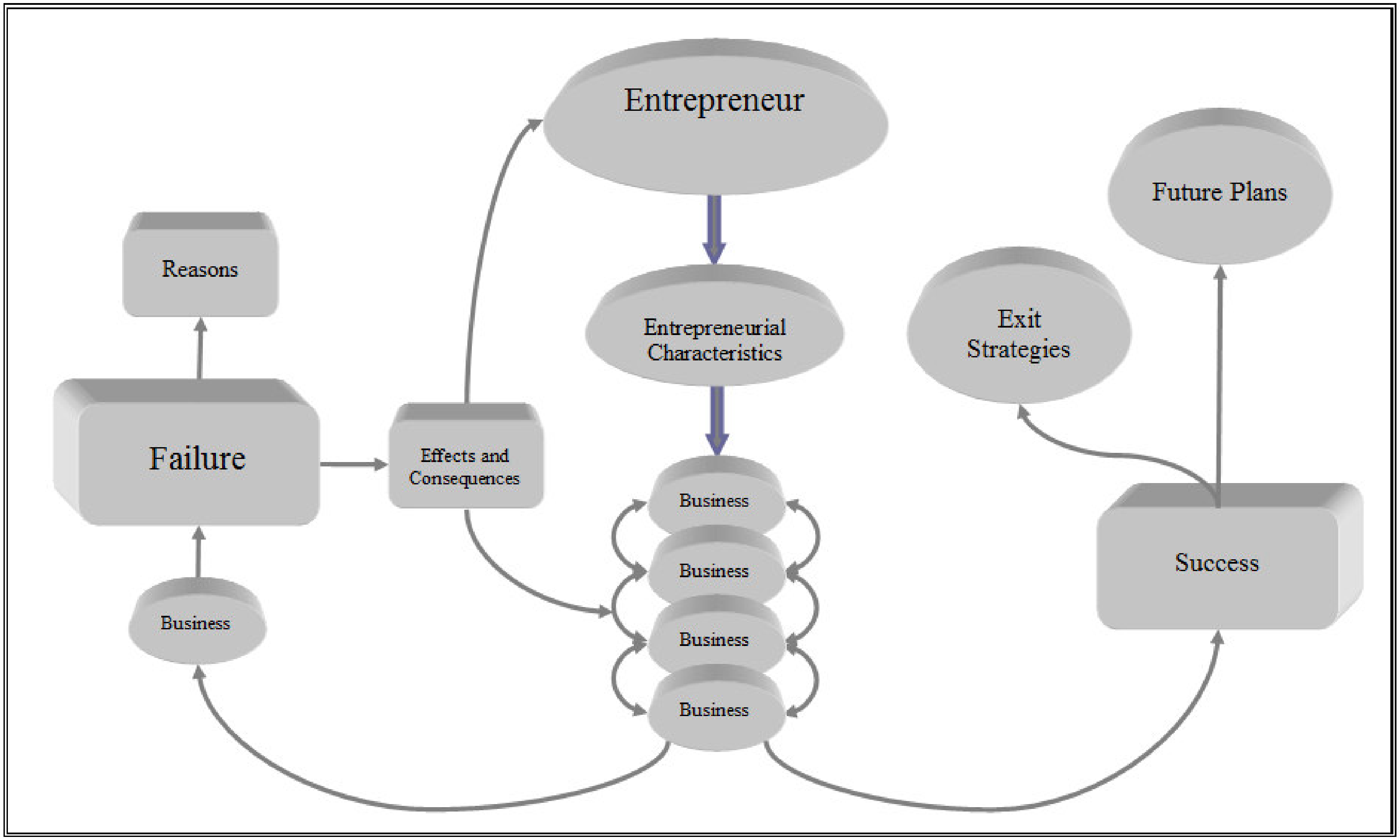
4.4 The relationship between the portfolio entrepreneur and failure

Based on the literature reviews in this thesis, it is apparent that inadequate literature is available concerning portfolio entrepreneurs and failure, and therefore, there is little correlation between the two topics. Failure could possibly be the most important factor in the business career of entrepreneurs. How the various components of the entrepreneur's business subsistence work together to overcome this adversity has to be important to any businessperson.

In one of the few papers written on the subject of the habitual entrepreneur and failure, Shepherd (2003) proposed grief over the failed business helped the individual overcome past errors. He referred to “restoration orientation”, which he defined as a process by which an entrepreneur will seek the cause of their stress instead of being upset with the actual loss. Also, Rerup (2005) sought to determine how entrepreneurs used prior entrepreneurial experience, including failure, to work for them in future ventures. He stated mindfulness provides the tool which allows the entrepreneur to utilize their past experience, even if it does involve failure. Based on these studies, several questions arose that were analyzed in this study. What is the relationship between portfolio entrepreneurs, their past experience, and their future business ventures? Do they avoid making the same mistakes, or are they attempting to overcome their mistakes by starting over, and if they plan to start over, what strategy will they utilize? Is “restoration orientation” entrepreneurial learning?

The graphical representation shown as Table 4.1 on the following page outlines the framework of this study. At the top of the chart is the entrepreneur who exerts their entrepreneurial characteristics on the various businesses owned or controlled. Each of the businesses under the control of the entrepreneur exerts a certain influence on each other as a result of their common ownership. To the right side of the graph success is shown, which leads to future plans and exit strategies for the entrepreneur. To the left is a business failure which carries with it reasons and effects, which in turn have a consequence on both the entrepreneur and their remaining businesses.

Table 4.1 – Graphic representation of the conceptual framework of this study



4.5 Detailed exploration of the objectives

4.5.1 Characteristics

Objective: *To explore the characteristics of the portfolio entrepreneur and the businesses involved in a failure.*

In order to properly examine this objective it was imperative to ascertain as much information as possible about the background of the entrepreneurs and what comprised their ability to establish and operate businesses as a portfolio entrepreneur. The literature review chapter covering entrepreneurs outlined many of the characteristics of these business starters; however, this objective allowed an investigation into how closely the interviewees fit the characteristics of a typical portfolio entrepreneur and allowed a comparison with the studies in circulation. Knowledge of the credentials and backgrounds of these individuals was necessary so as to establish what sets them apart from other entrepreneurs and, more specifically, other types of habitual entrepreneurs. Some of the additional characteristics that should be investigated include the stimulus that seems to drive the portfolio entrepreneurs as well as their overall goals and just what it is that makes them different from non-habitual entrepreneurs. One additional item that should be studied is whether they have some ability, not previously discovered that gives them, using a colloquialism, a "sixth sense" to be able to determine their own abilities and the "right" choices to make in their enterprises. Prior to arranging any interviews, one must ensure that all of the subjects are portfolio entrepreneurs. Therefore, knowing they all own more than one business at any given time was predetermined.

Howorth, Tempest, and Coupland (2005) did not believe the characteristics of an entrepreneur could be utilized to define the person, but what actions the person undertakes defines the entrepreneur. Four entrepreneurs were examined, each of which provided a characterization of what they believed made up an entrepreneur. The responses were:

1. An entrepreneur's main task is opportunity recognition.
2. Entrepreneurs are born or had, at an early age, developed the tools necessary to distinguish an opportunity.
3. Entrepreneurs make money and can start a business with little or no capital.
4. Anyone can be an entrepreneur that is given the right opportunities and is willing to act on those opportunities. As one examines the responses to Howorth's (2005) inquiries, the common thread which appeared was "opportunity recognition".

These offerings from Howorth (2005) made up a portion of the exploration intention of this first objective; therefore, in addition to examining the characteristics of the subjects, an extensive assessment of what each of them does was undertaken. This should, according to the cited authors, assist in the development of a profile on each of the subjects and allow a thorough examination and comparison of each. Ownership of a business is an important facet of portfolio entrepreneurship according to Alsos and Carter (2004) who indicated that portfolio entrepreneurs retain the first firm they create. An investigation into this concept is warranted.

4.5.2 Motivations and relationships

Objective: *To explore the entrepreneur's motivations for multiple business ownership and the relationships that exist between the various businesses that the entrepreneur has started.*

During the interview process, one of the most important items that was investigated for this objective was "why do you create multiple companies"? These entrepreneurs are set apart from all other entrepreneurs due to their ability or drive to create firms and continue to hold on to them while they open new ones. This is a major difference that is obvious to anyone investigating the various types of entrepreneurs. This thesis attempted to determine why they are able or why they have the desire to own several firms. Every business owned by a portfolio entrepreneur is linked to all of the others they own, perhaps only through common ownership, but there will always be a link. This objective calls for a systematic examination of this link between all of the businesses and how they function as a group. Several questions were required to achieve this objective. Why did they start the various businesses; what is the common tie between the businesses; and how do all of the businesses fit with one another? In addition, an insight into how the businesses function together, and whether one enterprise can be considered the dominant firm that provides capital to the others in order for them all to survive.

Carter and Ram (2003) emphasized the need for future studies that would blend a mix of the entrepreneur and the enterprise with a focus on the entrepreneur and the specific strategies they use. They also suggested the resources, such as knowledge and capital, as well as the entrepreneur's ability to activate those resources, be examined. A call to study the processes was given. These included the evolution of the process of entrepreneurship, the blueprints an entrepreneur may follow that varies from the norm, the relationship between the firms that make up the cluster, and the "performances derived from the portfolio, and the performance relationship between each element" (Carter & Ram, 2003, p. 378). Low and McMillan (1988) also called for a multidirectional approach that would analyze the relationship between the entrepreneur and the enterprise. Chandler and Lyon (2001) pointed out 90 percent of all studies done today focus on only one factor, that being either the entrepreneur or the enterprise, but not a combination of the two. Davidsson Low and Wright (2001) agreed with this assessment and advocated additional study toward the dynamics involved in the creation of the new venture.

The objective lends itself to a type of business cluster that is, in this case, owned by a single individual. Clusters do not necessarily have to be owned by a single individual but must revolve around the initiatives of a single entrepreneur or a single group of entrepreneurs (Rosa & Scott, 1999). Others defined clusters as "a group of firms in linked industries that thrive on proximity and mutual support" (Economist, 2000, p. 62), without mutual ownership. An example of this type of cluster would be Silicon Valley in California where the various computer firms are dependent on their neighbor for their own success. For this study, several businesses that have a relationship with each other and are under a common ownership are considered a cluster.

As one works to explore the strategic relationships that exist between the various business clusters the entrepreneur started and the reasons for their creation, an analysis of the entrepreneurial growth process must be included in this thesis. Iacobucci and Rosa (2005) determined the relationship between the firms is a "result of a growth process by diversification of the original activity" (p. 66). The original firm becomes more diversified and spin offs occur and result in a group formation, or a cluster. As the firms within the clusters grow larger, the number of firms in the group also increases. They took this to indicate that one of the fundamental and standard processes of growing a firm is business cluster formation. This hypothesis should be investigated with the interviewees in order to verify the veracity of Iacobucci and Rosa's (2005) work.

In order to further determine the links between the various commonly owned firms, one final series of questioning followed the guidelines Gaskill, Van Auken, and Manning (1993) set forth in which they attempted to determine the factors that affected the success of the firms in lieu of the more common search for factors that affect failure. Their study found the number one failure among firms was an internal problem, which they identified as a lack of managerial function. The inverse of this finding is that success among the studied firms relied on an internal strength and was a result of good managerial style. Since the entrepreneurs and the enterprises that will be analyzed in this study are apparently successful, it is important to determine the management styles utilized to hold firms together and whether or not the same management style works at each of the firms.

4.5.3 Perceptions of failure and exit strategies

Objective: *To explore the entrepreneur's perceptions of the antecedents and causes of the business' failure and to examine any exit strategies deployed by the entrepreneur to divest the failed business.*

This objective allowed an examination into the background of the failure, as well as the exact cause or causes that precipitated the failure. It determined why the entrepreneur had a business fail and revealed the reason for the discontinuance, be it bankruptcy, creative destruction, or if they simply got tired of owning that particular business. Pursuing this objective also allowed an investigation into any exit strategies the entrepreneur considered viable, believed in, or was willing to utilize.

Scholars such as Aldrich and Martinez (2001), Low and McMillan (1988), and Sarasvathy and Menon (2002) proclaim the old adage, "most firms fail". Whether this is true or not is still to be determined. Headd (2003) showed most of the failures we see in the United States come from young firms as indicated by the statistic that 50% of firms exit within their first four years of business. Phillips and Kirchhoff (1989) found 39.8% of firms will survive six or more years. Timmons and Spinelli (2003) report, based on BizMiner 2002 statistics, 53.6% of all ventures started in 1998, were still in business in 2002. The question still arises, if firms fail, even at these rates, why do entrepreneurs persist in trying to build new firms, and further, why a portfolio entrepreneur would continue to build numerous firms?

A topic worthy of investigation comes from Sarasvathy and Menon (2002) when they put forth:

> "Firm successes and failures do not determine the successes and failures of entrepreneurs. In fact, entrepreneurs can use firms as instruments to increase the probabilities of their own success" (Sarasvathy & Menon, 2002, p. 21).

"Failure", according to Coelho and McClure (2005, p. 13), may lead to ultimate success in business by "economizing on resources which leads to greater efficiencies". Storey (1994) had previously acknowledged this same reasoning when he said failure exercises a valuable function in the economy by shifting resources from lower earning ventures to higher earning ones, and the lessons learned from the experience helps both experienced and inexperienced entrepreneurs. Entrepreneurs often carry out an exit strategy to maximize those efficiencies and redirect their use;

these closures are sometimes mistakenly thought to be failures (Headd, 2003). The information provided in this paragraph led to an investigation of the reasons for the businesses failure, and to discover whether the entrepreneur chose to utilize exit strategies to divest the business.

Reprup's (2005) analysis of failure concerned the development of a framework that offered an insight into when, why, and how portfolio entrepreneurs use past experience to improve the performance of impending ventures. An attempt was made to verify the statement by Baumard and Starbuck (2005), in which they assert when only positive aspects of running a business are covered, then all outcomes will be favorable. They, of course, say this statement is not true, as do many other authors. This fact was verified with the subject group by examining their entrepreneurial intentions at the time of the failure. From a paper by Schutjens and Stam (2006), in which they outline a portion of the results from their study of 79 closed firms, the authors found that the entrepreneurial intentions of the failed entrepreneur could predict the new business the failed entrepreneur would pursue. Entrepreneurial experience, regardless of whether it was positive or negative, will improve the level of entrepreneurs in the economy as well is their future ability.

As one begins a search for the effect of failure on portfolio entrepreneurs, the premise of failure continues to be a recurring theme in portfolio entrepreneurship in the form of "past experience" or "prior knowledge". Many studies allude to the fact experience is a crucial element in the success of a venture; however, it seems when an actual empirical study is carried out, the results often are not conclusive. Cooper (1981) presented findings that "background", which he defined as previous work experience, influences the entrepreneur. Successive studies cited this study as proof that experience was necessary in starting a business, especially one being started by a portfolio entrepreneur (Westhead & Wright, 1998a). A study carried out in the United Kingdom indicated 69 percent of those surveyed that had previously failed in business stated their ownership of a business which had failed was a positive learning experience for them. Of the 69 percent who said failure was positive, 75 percent of those stated their self –management skills improved due to the closure (Stokes &

Blackburn, 2002). Cope et al (2008, p. 7) reinforced Stokes findings with their study of failed entrepreneurs in which they indicated that failure can lead to “positive developmental outcomes” that provide constructive messages to the entrepreneurs about their own abilities.

In spite of findings that say failure can be a positive experience, many entrepreneurs feel the pain for extended periods of time. One of the entrepreneurs in Cope’s study, even though he failed, stated that period of time spent as an entrepreneur was both the best and the worst times in his life. This statement seems to encapsulate the various findings of prior knowledge and learning from failure. On the opposite side of this discussion is from a paper by Alsos and Carter (2004) in which they discuss “previous experience” among habitual entrepreneurs and the fact studies up to this point have failed to conclusively prove past experience will endow a habitual entrepreneur with a superior proclivity to find success.

Further studies by Westhead et al (2005a) concluded portfolio entrepreneurs do benefit from their past experience but to what extent is still questionable. The authors stated much additional study is needed in this area to ascertain whether experience is, in fact, a positive asset for a business owner. “Failure”, according to Coelho and McClure (2005, p. 13), “may lead to ultimate success in business by “economizing on resources which leads to greater efficiencies”. Entrepreneurs often carry out an exit strategy to maximize those efficiencies and redirect their use; these closures are sometimes thought to be failures. The use of these exit strategies sometimes occur while the firm is earning a profit and prior to amassing large amounts of debt (Headd, 2003). Some of the strategies utilized are bankruptcy, closure, a sell out, and creative destruction.

The final part of this objective was to discover how the interviewees perceived exit strategies. Do they, in fact, see them as masked methods to escape failure or to turn a failure into a closure, or are they legitimate business methods someone in business should utilize when the time is right? Also, along these same lines, a discussion should be undertaken that explores whether a closure should even be considered a failure. As one's business begins to fail, and they design an exit strategy and implement that strategy, could this then be considered a positive exit? One of the motivating factors among entrepreneurs is profit, so therefore, prior to losses beginning, could a sellout be considered positive, or is it still a negative event (Headd, 2003)? To enforce this belief, Scott and Ritchie (1984) viewed failure as a negative event based on societies inability to even define failure and also on the way in which we view failure.

Stokes and Blackburn (2002) studied failure from a positive perspective. Their research involved interviews and questionnaires with both business owners, as well as associates, who provided outside help to the owner. Their findings showed closure is not necessarily a negative event, and 62 percent of their respondents continued to open new businesses. Closure is shown in a positive light as only 15 percent of the failed entrepreneurs said they would not try again, while 70 percent said they were encouraged by their experience.

Another important facet of closure is "creative destruction", a phrase coined by Schumpeter (1950, p. 83), in which he described a process by which old consumer goods are replaced with new products or methods of production are changed as well as transportation. In layman's terms, out with the old and in with the new. He states that this function is what will keep the capitalist engine running. When one researches creative destruction, an attempt should be undertaken to discover whether it is beneficial or detrimental to the economy and to the entrepreneur. Successful entrepreneurs may generate an economic benefit higher than the private benefits the owner obtains by satisfying either unmet needs or satisfying new needs for the buying public. Either way the entrepreneur encourages a process of creative destruction which will ultimately increase the benefits to society by increasing competition or by removing less capable businesses. When failure occurs, the entrepreneur may personally lose, but the same forces that were at work with the successful entrepreneur work in a similar manner with the failed person. The failure of an entrepreneur creates the vacuum which, in turn, stimulates growth. In a like manner, failure among the enterprises creates externalities that will reduce the cost of other entrants attempting to go into the industry. These externalities are benefits which will overshadow the costs to the new entrepreneurs, thus failure appears good for the economy (Knott & Posen, 2005). Not everyone agrees with the positive contentions set forth by Knott and Posen (2005). Meckstroth (2005) alleged creative destruction is causing a decline in the jobs available in America. He indicated 35,000 jobs have been lost as a result of creative destruction.

One last exit strategy method discussed was bankruptcy. According to the United States Small Business Administration (1996, p. 7):

> "A business bankruptcy is a legal recognition that a company is insolvent — that is, it cannot satisfy its creditors or discharge its liabilities. Therefore, the company must restructure (Chapter 11) or completely liquidate (Chapter 7)".

As this is a very emotional issue for many business people, a discussion was undertaken that attempted to uncover the interviewed entrepreneurs' thoughts on bankruptcy without ever having to ask whether or not they have, in fact, experienced one.

Overall, since a well thought out exit strategy is essential to a smooth discontinuance of business, it was a very important part of this thesis to determine what the subject's opinions were about exit strategies. Since all firms will eventually close for one reason or another, be it a failure, closure, a sell out, or a bankruptcy, everyone in business must have a stance on this issue. Either way, it will be interesting to see how the subjects of this study will react to this objective.

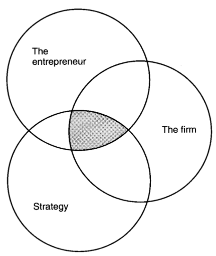
4.5.4 Managerial issues

Objective: *To explore the managerial issues that arose from the failure and the effect of the failure on the entrepreneur and the remaining enterprises.*

This objective examined the effect of failure on all parties connected with the firms, including the entrepreneur, the employees of the firms, and the remaining businesses.

Cope, Cave and Eccles's (2004) found, during interviews with failed entrepreneurs, some of those interviewed felt mismanagement was not the problem in a failure, many other factors contribute. Cope et al took this to mean there is a distinction between a "business" failure and "entrepreneurial" failure, a point worth discussing during the interview process.

Storey (1982) found 67 percent of failures, as calculated by the official receivers, where due to mismanagement, or managerial deficiencies, as he stated. In his (1994, p. 124) next work, a description of growth in a small firm was discussed. Storey used this example to describe the combination of components necessary for a firm to



grow. These include the firm, the strategies, and the entrepreneur. A firm cannot grow, according to Storey (1994), if any one of the three units shown lacks the characteristics necessary to make it a part of the entire entrepreneurial event. The overlap, where all three circles combine, is where optimum growth will occur. If this is true, then the inverse must also be true if the characteristics, including management experience, or any one of the three are out of place or misaligned, then a lack of growth or potential failure could occur. During the interview process, the object shown here was shared with the entrepreneurs and a discussion followed concerning the various characteristics each believed was necessary for success in their firms, and how managerial issues would play a major role in setting the framework for the entire enterprise. According to Storey (1994), the characteristics involved in an enterprise would include managerial issues, which is generally thought to provide a positive incentive to encourage the individual to grow new firms. In a failure situation, was there an effect on the managerial issues the entrepreneur had in place prior to the failure, and would those managerial issues change as a result of the failure?

In an attempt to ascertain the managerial issues which arose from the failure, one must explore the managerial practices that were in place prior to the failure. The face-to-face interviews conducted consisted of a discussion that allowed the interviewer to ask what the owner and managers were doing during the failure, how they went about making their managerial decisions, why they made the decisions, and where they were most of the time as the failure took place. Cannon and Edmonson (2005) discuss the precursors to a debilitating failure. They state firms may have small failures, which are ‘early warning signs’, or flukes, that should serve as the trigger to provide management with a wake up call needed to prevent disaster later on. However, these ‘early warning signs’ are sometimes disregarded. These small failures may be a function of management and could possibly affect the firm after a major failure. If there were poor managerial procedures in place prior to closure, there may be even poorer procedures following a failure.

Other problems described by Cannon and Edmondson (2005) are a lack of processes, resources, and incentives to bring together the various managers and employees to discuss and analyze what occurred, what caused the failure, and how to prevent future occurrences. Also, individuals tend to reach unfounded conclusions, and they often times misunderstand the real problem that caused the failure. Cannon and Edmondson (2005) advocated the creation of failure committees that could analyze, identify, and help others learn from the failure. It is important to include customers in this analysis of the managerial problems that arise as they have the ability to bring in new perspectives and insights to the analysis, which would help offset biased opinions by the employees who may be trying to protect themselves by placing blame for the failure on others.

Another important managerial issue that warranted additional investigation was the concept failure could possibly come about as a result of reckless and risky activities by both owners and managers. According to Cooper et al (1988) some entrepreneurs undertake these reckless actions due to their being overly optimistic and as a result of their own optimism, did not think of failure as a potential consequence of their actions. As a result of the failure, has the manager changed their methods, has their perception of risk or risk aversion changed, and if so, did the changes lessen or heighten the effect of the closure on the entrepreneur and the remaining enterprises?

4.5.5 Future plans

Objective: *To examine the consequences of the business failure on the future entrepreneurial plans of portfolio entrepreneurs.*

Storey's (1994) work pertains to the consequences of a business failure on the economy, a description which also pertains to the entrepreneur. Storey (1994) stated failure provides a mechanism which leads to improvements by shifting resources from low returns to higher returns. Second, it serves as a training base for individuals wishing to go into industry by showing them it is a risky undertaking and may be much more risky than simply working for others. Finally, business failure provides experience for the individuals involved in the failure. In carrying out the interviews, each of the individuals involved were questioned, utilizing these three points to determine if Storey's (1994) determination of failure consequences was correct.

Brandstätter (1997) observed that 73 percent of entrepreneurs examined had the impression even more success, than they currently enjoyed, was coming their way in the next five years. This study would lead one to realize by the same token 73 percent of the entrepreneurs in their study felt they had no failures coming their way. Could this be how entrepreneurs see their future entrepreneurial plans? This statement was included in the interviews in order to determine whether the interviewed entrepreneurs agreed with this statistic.

As an investigation into consequences of failure continues, one must fully understand the results of a business failure, and a discussion of one's business philosophies, perhaps, is the ideal medium to examine the effect failure has on the entrepreneur. In addition, the interviewer had to be mindful some researchers have stated entrepreneurs have one characteristic in common and that is their ability to use all of the talent at their disposal. McGrath and MacMillan (2000) argued that entrepreneurs utilize resources, energy, and knowledge from every one around them, and that habitual entrepreneurs utilize the energies of many people both inside and outside of their firms. This action is the creation of a network of relationships which enables the entrepreneur to utilize the best resources while at the same time allowing the network to achieve their goals as well. This accepted wisdom needed validating or nullifying during the interviews.

This objective also questioned whether the failure of a business affected the manner in which the entrepreneur looked at pursuing future endeavors, and could failure be a driving force in making the entrepreneur a success. Past studies have indicated one of the main unplanned consequences of seeking success rather than learning from failure is an inclination to carry mistakes forward and forget the true lessons one can learn from failure (McGrath, 1999). Other authors (McGrath, 1999; Baumard & Starbuck, 2005) believe learning from repeated success can also ensure future failure. "Long periods of continued success foster structural and strategic inertia, extreme process orientations, inattention and insularity" (Baumard & Starbuck, 2005, p. 283). It seems there is disagreement among the various authors as to what action will benefit the future success of an enterprise. However, another study addressed this issue and concluded that by studying failures and successes, one can begin to see the connection by which habitual entrepreneurs emerge (Ucbasaran, Westhead, & Wright, 2001). This variation in thinking among the authors enabled a discussion during the interview process to determine whether the entrepreneurs believed not only failure, but perhaps both failure and success in business, has the ability to affect the future success of business ventures which could potentially be forthcoming.

Finally, this framework required a detailed look forward with the entrepreneurs as it pertained to their future business plans. An in-depth discussion was required to ascertain what each of the entrepreneurs had planned, be it more new businesses, improve existing firms, or to pursue exit strategies and discontinue operations completely. The responses given would provide an in-depth look at any relationship between the various people and how failure or time has affected their ability to continue in business. It is possible failure can affect the way the entrepreneur looks at pursuing future endeavors and perhaps failure could be one of the driving forces in making an entrepreneur successful. The interviewees must be asked whether failure was, in fact, a deciding factor as to opening more businesses and did the failure have a long-term effect on the business person.

CHAPTER 5
RESEARCH METHODOLOGY

5.1 Introduction

The over-arching goal of this thesis is to examine the effect of a business failure on the habitual entrepreneur, with emphasis on the portfolio entrepreneur, the surviving businesses, and their ability to continue to perform as a business creator after the failure. In order to perform an orderly and complete analysis of the effect of failure, a series of intensive interviews with portfolio entrepreneurs were undertaken. In addition, reaching logical conclusions from the material offered by the entrepreneurs was imperative, and the ability to present the information in a clear and concise manner was of the greatest importance.

This chapter will outline the research methodology that was employed in this study. In order to grasp the research concepts, a complete description of the methodological considerations as well as the philosophical foundations of research must be fully understood. The methodological process in creating a model of the individual case studies, as well as the overall entrepreneurial case study, was elucidated. An analysis of the selection process and the methods available for use in this study was addressed, as well as the procedures that were followed to make the various decisions. In addition, the various elements of inquiry such as quantitative and qualitative, the designs available for each, and the task of locating subjects for study were discussed. After much consideration, a qualitative multi-case strategy was chosen and five portfolio entrepreneurs were interviewed, case studies prepared, and a combined case study outlining the findings was developed.

5.2 Philosophical foundations

An overview of the philosophical foundations of this study starts by outlining the difference between epistemology and methodology. Epistemology is derived from the Greek word epistémè, which is the term for knowledge. In more simple terms, epistemology is how we arrive at what we know. Methodology is similar in that it too concerns how we know what we know, but is more matter-of-fact in nature. It focuses on the methods we utilize to understand the world around us. Methodology and epistemology are linked, yet methodology involves the practice of learning while epistemology involves the philosophy of learning (Easterby-Smith, Lowe, & Thorpe, 2001). This philosophy of learning is referred to as the study of social phenomena and is comprised of positivism and post-positivism. According to Smith (1997) these two concepts cannot be combined, a choice must be made between positivist and post-positivist methodology since they have equally exclusive assumptions.

5.2.1 Positivism and post-positivism

Positivism has been defined as:

> "A collection of prohibitions concerning human knowledge, intended to confine the name "knowledge" or "science" to the results of those operations that are observable in the evolution of the modern sciences of nature."(Kolakowski, 1993, p. 7)

Kolakowski (1993) defined positivism as a concept which holds that the goal of knowledge is simply to express the phenomena that is present around each individual. Knowledge beyond anything that is observable in the environment is impossible according to the precepts of positivism, and scientific investigation is the vehicle that should be used to arrive at the truth and enable one to understand one's surroundings in a way that can be predicted and managed. Positivists believe in empiricism, the idea that observing and quantifying phenomena as the theory basis of all scientific endeavors, and deductive reasoning which is grounded in the premise that if one has previously known facts, and they are true, then the conclusions reached from those facts must also be true. The best way to learn the truth, utilizing a positivist's viewpoint, would be to experiment. The influence of positivism on modern day problem solving is such that it has become almost a standard, and its methods are often times used unconsciously. In its modern form, it is rooted in the work of Comte (2003) who sought a systematic amalgamation of truth utilizing scientific methods. Comte (2003) conceived that all research has two main purposes;

to describe the world through observation and experience and to make comparisons of the various findings. He also stated if one utilized these concepts, further development could be predicted. Critiques of positivism have been based on epistemological and methodological grounds that focus criticism on the hermeneutical foundations and the utilization of scientific realism (Smith, 1996).

Post-positivism is a part of the critical realism philosophy. Bhaskar (1998) is a leading contributor to this decisive realist paradigm, and addresses the fundamental relationship issues that exist between philosophy and science. Based on an ontological approach that causal laws are transparent and are entrenched in the natural structure, Bhaskar (1998) argues they are, therefore, different from the observed patterns of events. If one fails to distinguish the difference between the natural structure and the observed patterns of events, an error would have occurred. Thus, as Bhaskar (1998) advised, based on the type of science chosen for the research, there is a certain methodological unity which occurs due to the generation of knowledge in both the natural and social sciences being the same, thus the methodological unity.

Post-positivists recognize that all observations are imperfect, they contained errors, and all theory is changeable, in other words, they are critical of the researcher's ability to know what reality is with any certainty. While positivists believe the overarching goal of science is to discover the truth, the post-positivist critical realist believes the ultimate goal of science is to remain steadfast in the pursuit of getting it right about truth, even though that goal can never be achieved. Since all measurement is imperfect, the post-positivists stress the necessity of researchers taking multiple measurements and recording numerous observations. All of these tactics will probably contain different types of errors; therefore, there is a necessity to utilize triangulation across these error-filled sources in order to uncover the reality of the research project. In addition, post-positivists also believe observations taken by researchers are skewed due to the bias each researcher has, and everyone is biased and all observations, because they are theory laden, are affected (Trochim, 2006). A suitable way to improve the objectivity and validity of a research project would be to carry out the work with a community of like-minded truth-seekers who would be willing to critique each other's work. Two researchers with different views of the world would not and could not agree on a common theory based on their past experiences; however, this does not mean they could not combine their resources and their experiences and begin to understand one another. Post-positivists embrace the idea we can ultimately understand each other because we do come from different cultures and experience backgrounds.

Post-positivism is a diffuse movement which encompasses a wide range of opinions. Kolakowski's adherents question whether an approach such as post-positivism, with so many diverse opinions, can remain both significant and real (Smith, 1996). What is apparent, in lieu of the varied opinions, is post-positivism is an indiscriminate rejection of the central beliefs of positivism.

In the development of a methodology to differentiate between positivism and post-positivism, a process of evolution known as the Hegelian dialectic emerged. Hegel (1807; 1812- 1816; 1817) proposed absolute idealism encompasses a process of change and progress, in which one school of thought or thesis will inevitably generate its antithesis, or opposite. By taking a thesis and creating an opposite thesis, the two will eventually combine and become a new unique thesis (Popper, 2002; Arjoon, 2006; Kemerling, 2006). This approach is useful in the creation of a research methodology due to its capacity to determine the best available method from the various processes presented.

When attempting to carry out qualitative research utilizing a critical realist approach, one must be mindful that the ultimate goal is to uncover truth. In his book on critical realism, Carspecken (1996) showed that critical qualitative research sought to understand the relationship between the social structures and the culture in which they exist. In discovering this, one must not attempt to recreate reality, but to seek truth and validity. By undertaking or using this approach of analyzing social structures, one can discover certain continuity in the actions of the subjects which could go unnoticed, but upon discovery of those actions, will result in a meaningful action which will ultimately result in a contribution to the knowledge one is seeking. Carspecken outlined five steps in the process of developing a qualitative research initiative using critical realism. Only the first two were used in this project. First, one must build a primary record. He states that an attitude of complete ignorance and believing that you are a complete outsider, compels the researcher to compile numerous descriptions to "sharpen one's awareness of events that may occur routinely" (1996, p. 49). This occurs during the interview process of case study interviews. The second step is preliminary reconstructive analysis which entails determining how decision were made, what did the decision consist of, when were they made, and other, almost mundane, questions that will allow the researcher to delve into the underlying decisions as they were made. By accomplishing this second step, one becomes privy to the key issues at play, themes, and other areas of interest that will require further analysis. It is at this point that triangulation is utilized to further identify hidden aspects of the entrepreneurs and to verify the findings using a deductive or inductive approach.

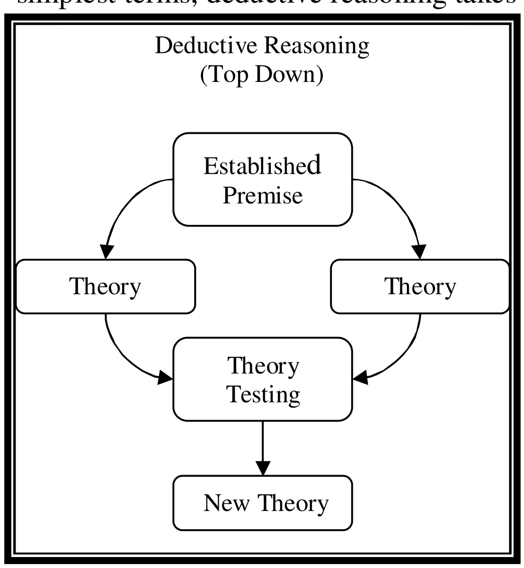
Based on the information in the preceding paragraph provided by Carspecken, one can then turn to Miles and Huberman (1994) who identified case studies as being a phenomenon that is in a context that is bounded on all sides, and provides great relevance to qualitative research. Due to the very nature of case studies, they lend themselves well to the critical realism approach due to the clarity of the information they provide as well as their ability to show validity and truthfulness. Yin (1984) states that case studies are at the very core of a qualitative analysis as they can be very vibrant and enlightening, especially if they are chosen to be critical. With this information it is easy to recognize the link between the critical realist approach to research and the use of case studies to achieve the goal of uncovering as much information as is necessary to the successful completion of the research project.

5.2.2 Deductive and inductive research

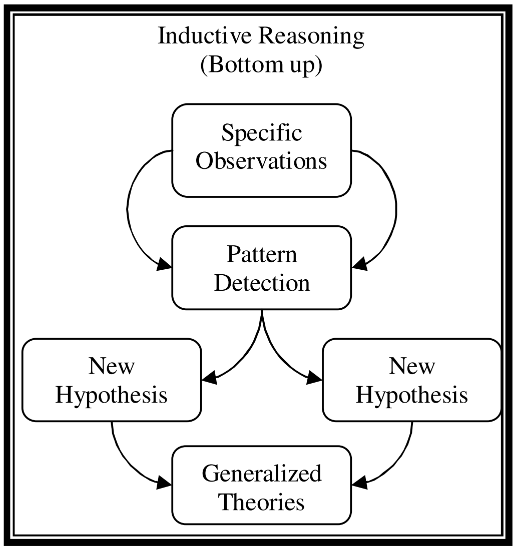
In writing about what would later be known as inductive and deductive research, Hume (1777) proposed human reasoning or inquiry could be naturally divided into two categories, "Relations of Ideas" and "Matters of Fact". The first, Relations of

Ideas are the mathematical sciences of geometry, algebra, and arithmetic; and every declaration, which is either naturally or demonstratively a fact. An example of this is two times five is equal to the half of 20. This demonstrates a relation between these numbers. Propositions of this kind can be discovered simply by thinking, without any dependence on additional information available out in the universe. Matters of Fact, the second object of human reasoning, are not established in the same manner. The opposite of every factual statement, such as the sun will rise tomorrow, may still be established. Regardless of how certain one is concerning a statement, Hume (2006) determined an attempt should always undertaken to determine whether or not the statement could be false, even if this is done in vain.

Deductive reasoning, associated with positivism, is an approach in which a researcher attempts to prove a theory, utilizing a process of deriving consequences from previously established principles that at least warrant investigation. In the simplest terms, deductive reasoning takes an established premise and deducts from it one or more of its theories and tests the theories for accuracy. If a factual result is discovered, then an additional theory will be deducted from the original thesis and the process is repeated. This method will continue until one of the tests fails, and when that occurs, the original thesis will be altered or adjusted and the process begins anew. Popper (2002) stated it is irrelevant from where the original thesis derives, but what is important is that only deductive reasoning can guarantee the correctness of a conclusion. Popper (2002) suggests when one is attempting to prove a thesis or theory as being true, no set number of tests can achieve this result; however, if attempting to disprove a theory, only one contradictory observation is required.



Inductive reasoning, associated with post-positivism, functions as the opposite of deductive reasoning, going from very specific observations to more generalized and expansive theories. It begins with specific observations and criteria and a process of detecting patterns that may be present. From these patterns tentative hypotheses are developed which allow for further exploration and ultimately development of general assumptions or theories. The strength of inductive reasoning does not lie within its ability to prove quantitative statements, but more so in its ability to allow researchers to form ideas about similar groups of phenomenon being studied in real life. Rarely can inductive reasoning be utilized to provide proof of anything; however, it is the method of reasoning most people use when one is attempting to form an idea about an event, occurrence or anything that requires reasoning to explain why something has happened. As the figure shown here indicates, inductive reasoning is sometimes referred to as a "bottom up" approach (Hacking, 1983).



In a development of inductivism, Glaser and Strauss (1967) argue if one is to explain social phenomena it must be grounded in observation and experience or else the explanation will be worthless. An alternative development of inductionism, an action research perspective, was offered by Argyris, Putnam and Smith (1985) when they suggested a researcher must be fully aware of existing theories that are currently guiding practices and should attempt to improve upon them. This will involve learning to take existing theories and through reflection, create new theories for future use.

While few qualitative researchers fully utilize either the grounded research or action research perspectives advocated by Glaser and Strauss (1967), Argyris et al (1985) and Gummesson (1988), inductive approaches supported by qualitative methods provide many advantages to the social scientist (Hacking, 1983). Inductive research is, by its very nature, more open-ended and probing, allowing greater flexibility for the researcher to reach valid conclusions.

5.2.3 Quantitative and qualitative methods

The opposing philosophical positions of positivism and post-positivism have given rise to two very different research traditions. Positivists, basing their assumptions on deductive logic, support their scientific enquiries and theory testing with quantitative methodologies. Post-positivists, basing their assumptions on inductive reasoning, prefer qualitative methodologies that enable observation and theory building. While philosophical assumptions underpin the major decisions regarding the choice of research methodologies, other factors are also influential. Davidsson (2004), for example, described his preference for quantitative approaches in entrepreneurship research as a function of his lack of expertise in qualitative methods. Nevertheless, Davidsson (2004) also suggests the ultimate outcome of quantitative and qualitative methodologies are often mutually supportive, as researchers using quantitative strategies and others using qualitative methods have often reached the same conclusions. Davidsson (2004, p. 56) attributes this to the researcher's reflective mind and that "total knowledge development requires the combination of different types of information".

Several strategies are associated with quantitative research. Creswell (2003) discusses the two tactics that are commonly associated with the quantitative approach: experimental studies and the survey method. Keppel (1991) describes that within a true experimental study, subjects must be assigned randomly to their various groups and the management of the group must be manipulated by the tester. Babbie (1990) defines surveys as being both longitudinal and cross-sectional. The data collection process entails using controlled interviews or printed survey forms for data collection. By taking a sampling or a cross-section of a population and utilizing these methods, an assumption of the intent of the entire population may be made. Davidsson et al (2001) called for more longitudinal studies among entrepreneurs, but recognizes longitudinal studies are difficult to carry out due to the "small and private nature" of some entrepreneurial ventures; therefore, "time series data are not available" (Davidsson, Low, & Wright, 2001, p. 13).

Scholars have identified at least 30 different approaches to qualitative research, many of which have overlapping strategies and only subtle differences between each other (Tesch, 1990; Wolcott, 2001; CSU/Institute, 2007). One of these methods is the case study method. This common method was best described by Creswell (2003, p. 15) when he stated:

> "Case studies,… explores in depth a program, an event, an activity, a process, or one or more individuals. The cases(s) are bounded by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time"

Yin (2003) indicated if one is attempting to answer "how" or "why" questions and if the investigation is beyond the control of the investigator, a case study is the appropriate methodology for one to utilize. A real-life context is an example of a situation as described here.

Many other researchers have used qualitative case studies to investigate various entrepreneurial subjects that include risk aversion (Gilmore, Carson, & O'Donnell, 2004), entrepreneurial failure (Azoulay & Shane, 2001), the process of business closure and owner-manager exits (Stokes & Blackburn, 2002), group formation (Iacobucci & Rosa, 2005), and research on portfolio entrepreneurship in SME's (Pasanen, 2003). Yin (2003, p. 13) defined the case study research method as:

> "Empirical inquiry that investigates a contemporary phenomenon within its real-life context especially when the boundaries between phenomenon and context are not clearly evident".

Based on the objectives of this thesis, the difficulty of obtaining information from firms and their owners, the need for qualitative studies, and after an extensive investigation into the different styles of qualitative studies, it follows that a case study approach of portfolio entrepreneurs would be the ideal method to obtain information that would add to existing theory. Since a case study approach was not designed to propound theories but was intended to pose multifaceted and debatable issues, this thesis would ascertain the needed information by carrying out in-depth case studies of portfolio entrepreneurs with the unit of analysis being both the entrepreneur and the enterprises which are grouped through that entrepreneur. This research would provide contemporary up-to-date situations and provide the basis for the application of proposals and augmentation of the information that was available about portfolio entrepreneurs.

5.3 Research approach and methodology

This section describes the philosophical approach of the study and the methodology adopted. Epistemology is a broad set of assumptions that are concerned with the proper way of inquiring into the nature of the world (Easterby-Smith, Lowe, & Thorpe, 2001) and is about knowledge and knowing. The epistemological position adopted by this study was post-positivist. While there have been many calls for research on business failure, little is understood of this phenomenon. As a consequence, inductive approaches, where observation could lead to theory development, were the most appropriate for this particular study. According to Tsang and Kwan (1999), by utilizing an epistemological approach such as this, it is possible to acquire scientific knowledge by critically testing any theories that may arise from the research. In keeping with this philosophical position, qualitative methods were used, whereby the experiences of selected entrepreneurs could illustrate and inform knowledge and the subsequent development of theory and propositions for further research. This was accomplished by comparing the various interviewed entrepreneurs one against the other and creating the theories which could then be tested as stated previously.

Studer et al (1998) offered the following definition of ontology: "An ontology is a formal, explicit specification of a shared conceptualization" (p. 184). Ontology provides a mutual yet general understanding of a domain that can be communicated between groups of people. One of the main motivations behind ontology is they are easily reusable and allow for sharing. The static information that is captured by ontology varies from situation to situation but reveals relevant concepts, relations, attributes and instances of a particular realm. The ontological approach of this study can be described as critical realism which prescribes a method of social scientific investigation that will identify the various mechanisms portfolio entrepreneurs utilize to adapt themselves and their organizations to failure. This is achieved through an approach that considers the entrepreneur's actions and their organizations as two distinct levels of actuality or reality. Both of these will be related and are constantly in interaction, but at the same time offer differing levels of realism. It is this interaction between the entrepreneurs and their organizations as well as between the various entrepreneurs and each other that will offer the information or ontological specifics this thesis is seeking. The following chart indicated the depth to which an ontological approach can provide a critical realism view of reality, and in this case the entrepreneurs and their organizations.

Table 1. Ontological assumptions of the critical realist view

	Domain of real	Domain of actual	Domain of empirical
Structures	V		
Events	V	V	
Experiences	V	V	V

(Bhaskar, 1978, p. 13)

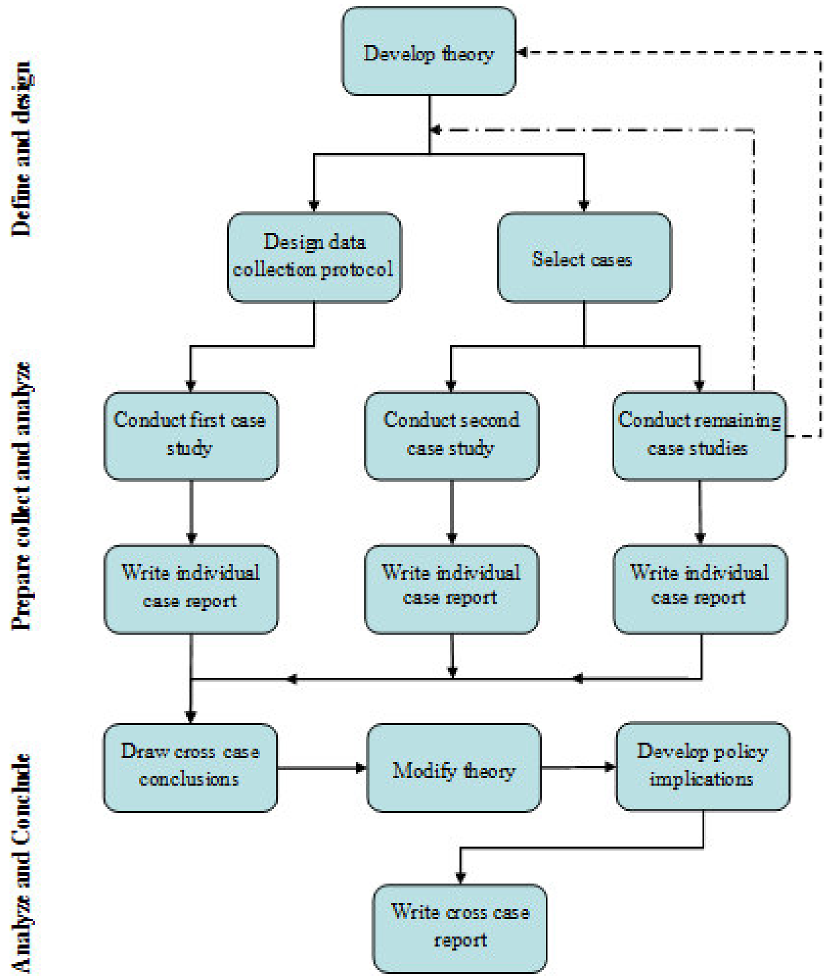
As the chart indicates, ontology involves the aim of the reality of theories to indicate the configuration and the mechanisms by which the world operates in lieu of empirical events, and the organizations that make up the world, and in this case, the portfolio entrepreneurs, are linked one to another through a common identity which is dictated by the members of the group. "Although scientific knowledge of reality, especially social reality, is never infallible, it is still possible to acquire such knowledge through creative construction and critical testing of theories. Replication is one important way of testing theories" (Tsang & Kwan, 1999, p. 762).

There are numerous ontologies which can be applied to case study research, but a critical realism approach, such as those offered by Bhaskar (1998), appear to be the most relevant in obtaining the desired information. In order to achieve these outcomes and to determine how they differ and how they are alike, each of the entrepreneurs were placed alongside one another and a comparison of their various organizations and the mechanisms they utilized to maximize the functionality of their enterprises was carried out.

5.3.1 Multiple case study method using replication logic

The research approach used in this study was multiple case study method. Table 5.1 illustrates the multiple case replication approach to a qualitative study. The chart specifies that the initial step in designing a study begins with the development of a theory and then indicates the importance of case selection and the defining of detailed actions. One must be aware inductive reasoning functions differently than the chart outlines. In lieu of developing a theory at the onset of the procedure, theory development occurs after the collection and analyzation of the data. Inductive reasoning goes from very specific observations to more generalized and expansive theories which enable development of hypotheses and ultimately the creation of theories. The dotted line which runs from the section entitled "prepare collect and analyze" to the top of the chart and the "develop theory" box expresses the methodology of an inductive reasoning case study. By using this method in this thesis, each case is an individual study, but when combined, they offer concise conclusions that were the overarching target of the study in the first place and will allow the development of a new theory.

Table 5.1 - The Study Research Method and Approach



Adapted From: (Yin, 2003, p. 50)

This study used a qualitative, multiple case study approach, and based on Table 5.1 shown on the previous page, one can draw very definite conclusions about the procedures and proceedings followed in this thesis. Herriott and Firestone (1983) extolled the qualities of what they called the multi-site study. They defined this as one in which the same research questions are asked of various entrepreneurs, in different settings, all the while utilizing the same data collection and analysis procedures with each interview.

Yin (2003) praised the merits of using the multiple case study as being more compelling, and Miles and Huberman (1994) stated multiple case studies “adds confidence to findings” and the method strengthens the “precision and validity, and the stability of the findings” (Miles & Huberman, 1994, p. 29). The multiple case design process begins with theory development as the first step in the technique and is then followed with case selection and designing the various protocols that will be used in the various studies. The protocol design will necessitate defining explicit measures that will be used in the design and data collection process. Once the data collection protocol is complete and subjects are found, the process of conducting the interviews and discovery of each individual case will begin. As the data collection process concludes, an in-depth summary report will be prepared on each individual case. These reports will indicate what information was obtained from the subject and how the interview with the entrepreneur will add knowledge and understanding to the initial question or theory. In this case, one must be aware there is no theory the thesis is attempting to prove or disprove, but an attempt to discover how failure affects the portfolio entrepreneur and their associated businesses. One important factor in the interview process should be maintaining a replication between all the subjects. This replication will allow conclusions to be drawn, and the extent of replication between each of the cases should also be reported.

As the process moves forward, there is a possibility the information being sought is either being presented as planned by the subjects, or there may be a major breakthrough in the information being given. Either way, one must be prepared to digress in the process and rethink either the original theory or redesign the data collection protocol. These changes are highlighted on the chart as dotted lines, with one going all the way back to theory and the other to the design process. If this occurs, the researcher must be prepared to contact the subjects of the study and once again interview each of them (Yin, 2003).

One major question that must be answered is the number of cases that would be considered necessary to successfully complete a multiple case study. Miles and Huberman (1994) state the question is unanswerable on a statistical basis. The answer depends on the number of required cases that would give the overall study the certification that the data presented is sufficient to fully answer the questions and give one confidence in the methodical generalizations. It also would depend on "how rich and complex the within case sampling is" (Miles & Huberman, 1994, p. 30). According to Yin (2003), the criteria (how many subjects) that would normally be present in a quantitative study are irrelevant in a case study process. One should instead concentrate on the number of literal and theoretical replications that would need to be present in the study. Literal replications according to Yin (2003) are those that "predict similar results", while theoretical replications "predicts contrasting results but for predictable reasons" (Yin, 2003, p. 47). As these replications are carried out, a theoretical framework will emerge which will outline the conditions necessary for the phenomenon to occur in a literal replication, or when it is unlikely it will be found, a theoretical replication (Yin, 2003). Contrary to both of these researchers, yet agreeing that there is no ideal number of cases, Eisenhardt (1989c, p. 545) advocates the use of four to ten cases, and states that this number will work well. She continues:

> "With fewer than 4 cases, it is often difficult to generate theory with much complexity, and its empirical grounding is likely to be unconvincing…With more than 10 cases, it quickly becomes difficult to cope with the complexity and volume of the data."

Based on the assertions of the scholars quoted above, it would seem imperative the number of cases in the multiple case study not be of the greatest importance, but rather for the researcher to obtain a sufficient number of subjects to ensure the data quality and the correctness of the replications that will occur in the study, and to ensure a rich theoretical and conceptual framework on which to base the final findings.

5.3.2 Sampling approach

One of the early steps in developing a case study is to locate the target objective, in this case, portfolio entrepreneurs who have experienced at least one business failure in their entrepreneurial career. Patton (2001) lists 16 sampling techniques. Each of the techniques allows the researcher to identify information rich cases that will allow an in-depth investigation.

For this study two of the techniques were utilized; chain sampling and extreme and deviant case sampling. Due to the difficulty in locating potential research subjects for this paper, snowball or chain sampling was initially used. In this method, the researcher identifies an information rich subject who meets the necessary criteria for the study, a portfolio entrepreneur. Once the first individual is identified, they will guide the researcher to others who meet the same criteria, thus, the snowball of information will grow larger and larger as the researcher continues to accumulate data on the subjects of the study (Patton, 2001).

The second sampling method used for the case study was extreme and deviant case sampling, a process which involves the identification of certain phenomenon such as outstanding success, extraordinary failures, and even unusual events and sometimes crises (Mugo, 2003, p. 1).

The literature review chapter on portfolio entrepreneurs, in this thesis, outlined the unique place these individuals hold in the world of business. It was therefore incumbent that an approach that was fitting be utilized. The entrepreneurs that were sought out all had a least two characteristics in common; they all qualified as portfolio entrepreneurs and all had experienced a failure in their businesses. The exploration of this failure attribute is the purpose of this thesis, and it was therefore necessary that an intense investigation be carried out with each person in order to ascertain their individual beliefs of the effect the failure had on them personally and their remaining businesses. In order to achieve the over arching goal of this thesis, one-on-one interviews were conducted utilizing various data collection methods and all available resources which included web-based information, personal contacts, employees, and any other available facts.

In addition to targeting the correct subjects, site selection or population of interest is an important concern in ensuring the success of the interview process (Rossman &

Rallis, 2003). For the initial interview, each of the entrepreneurs that have been selected for this study had agreed to be interviewed in a setting outside of their normal work place. The rationale is by interviewing an individual in their office or in their home for the first time, the interview would tend to incur numerous interruptions either by ringing telephones, employees, family members, or emails. This is contrary to the views expressed by Rossman et al (2003) when they state the researcher should go to the site, the home, or the office of the subject of the case study, to conduct the research. They say this will enable the researcher to exploit a level of specificity that only can be achieved in a more personal setting. However, by interviewing in a mutually accepted, neutral, public place, a more accurate and truthful interview could perhaps be conducted.

One important part of choosing the interview site was a pre-interview visit by the researcher to ensure the viability of the site as it pertains to being a serene setting that would allow the ability to use the site for an extended period and to ensure it is comfortable. One other consideration is the security of the site. The information that will be communicated by the entrepreneur was oftentimes extremely sensitive data, including organizational secrets, competitors, customers, personal and firm finances, and the structure of their organization. Complete trust by the interviewee is imperative and site selection will help secure that trust.

Given that these business owners are very busy individuals and they have committed their time to this endeavor, they must feel assured there is an excellent reason for the interview and be convinced of the value of the thesis. Follow-up interviews could possibly take place in their home or office since these will not be as in-depth as the original interview, but if they would feel more comfortable meeting off site, that can be arranged in short order; however, one must give special consideration when meeting in the management environment and endeavor to ensure satisfactory completion of the needed interview (Easterby-Smith, Lowe, & Thorpe, 2001).

5.3.3 Protocol design

This section concerns the methodological process in creating a protocol design for the individual case studies, as well as the overall entrepreneurial case study, and includes the design data collection protocol. Collection of case study data was the second step in the overall process of carrying out a successful case study. There are two parts to this section, the first dealing with the process of preparing for data collection and the second covers the actual process of data collection.

Yin (2003) outlined several steps involved in the proper preparation for data collection. One of the most significant is the development of a protocol for the investigation. Utilizing the snowball sampling approach, five viable subjects for testing were located; therefore, the protocol for the study must be addressed and preparation for data collection must commence, ultimately leading to the interview process. The one ultimate purpose all studies have in common is to collect data. By combining the information given by Miles and Huberman (1994), Marshall and Rossman (2006), and Yin (2003), one is able to delineate a summary of what is necessary to ensure the proper protocol for a multiple case study. Below is shown the rules and procedures necessary for a successful case study:

1. Build a conceptual framework. This framework will consist of key factors, constructs, or variables and the relationship between them. This must include an examination of the various directions in which the case can proceed. It must be thorough, concise, and elegant and include a design that is organized, manageable, yet flexible.
2. The protocol should include a section on the overview of the project, the goals and objectives, and issues concerning relevant topics
3. Field procedures which would include the physical settings for the interviews, external sources of information and helpful information reminders.
4. Case questions. This portion includes the preparation of specific questions that the researcher must keep in mind and potential sources of information for answering questions.

5. A guide for the initial reports on each case as they are completed as well as the final report. This should include an outline, plans for the interpretation of the data, and plans for use of information gleaned. The final report must be a coherent manuscript that is convincing to the readers.

Yin (2003) states looking at the components of the case study protocol will make one understand why the protocol is so important to the successful completion of the study. By outlining these items, one can stay focused on the subject of the study. Problems that may arise during the study will surface during the preparation of the protocol, including the manner in which the reports should be completed. Preparing the protocol will make the researcher identify the audience for the reports prior to even doing the study. All of these will help one ensure the successful completion of the study and will help avoid disaster as the study progresses over time. The first step in preparing the protocol was to create a conceptual framework, which was accomplished in chapter four; therefore, the next step in this chapter is to outline an overview of the project, the goals and objectives, and issues concerning relevant topics.

According to Yin (2003) each case study that is carried out involves an entirely different set of circumstances, and each must be treated individually. When one is interviewing a key person, the interviewer must cater to that person's schedule and their availability and not the schedule of the one conducting the interview. In addition, the person being interviewed is opening their life for the interview and respect should be shown by the interviewer in observing their real-life activities. One of the characteristics of a case study interview is they are open ended which allows the interviewee the ability to not cooperate as one would expect them to in answering questions. These suggestions by Yin lead one to understand the importance of preparing properly and implementing a series of well planned field procedures.

Although there are no tests available to identify good case study investigators, Yin (2003, p. 59) offered the following recommendations.

- A case study investigator should be able to ask good questions, and have the ability to interpret the answers.
- A case study investigator should have the ability to be a good listener and not interject their own beliefs or preconceived ideas.
- A case study investigator should be able to adapt to any circumstance and at the same time be flexible in working with subjects.
- A case study investigator must be knowledgeable about the issue being discussed regardless of the context.
- A case study investigator must be free of bias caused by preconceived ideas. This includes ideas derived from theory and contradictory evidence should not sway the interviewer.

According to Creswell (2003), a good qualitative researcher must seek the involvement of their subjects in the data collection process and attempt to build a relationship and develop their own credibility with the individuals in the study. They should not disturb the participant or the site they are using any more than is necessary. In order to be successful as an investigator, one must first be able to make intelligent decisions about the data being provided by the subject.

Prior to attempting any interviews, all background information that can be obtained pertaining to the interviewees must be recognized and studied. Carson et al (1998) point out facts could be obtained from a wide range of both primary and secondary sources, and historical methods including biographies and memoirs, diaries, creative output, public documents and even receipts. It is their contention these historical documents could paint a picture of an individual or firm that would aid in the research being carried on in a qualitative case study. External information may also include interviews with other individuals, possibly employees or friends of the person being interviewed. With the advent of the Internet and the free flow of information that is available, many of these documents are available as well as articles that have been written specifically for the Internet, concerning the entrepreneur. It is imperative all external sources of information be researched. These external sources of information will not necessarily be utilized in the preparation of the final document or the case studies done on each entrepreneur, but will provide additional information, backup, and support for the interview process and enable the researcher to make enhanced and more professional investigations into the backgrounds of each person involved.

A substantial component of the interview process will involve the preparation of the actual questionnaire. If one simply begins writing questions, obvious omissions are likely to occur; therefore, one must question one's own ability as well as their knowledge of the subject, and be able to distinguish between questions you ask yourself, and questions one would ask of the entrepreneurs. A portion of the information that is necessary for a researcher to utilize while questioning himself with will come from external information that can be collected on the subject.

5.3.4 Data collection

Yin's (2003) outline of the principles of data collection contains three parts:

1. Use multiple sources of evidence
2. Create a case study database
3. Maintain a chain of evidence

The first principle, use multiple sources of evidence, "allows an investigator to address a broader range of historical, attitudinal, and behavioral issues" (Yin, 2003, p. 98); however, this is not the main reason for utilization of multiple sources. In order to develop what Yin (2003) refers to as converging lines of inquiry, one must approach data collection from multiple areas. In this case it was decided to approach from two directions, documents and interviews. Prior to beginning any interviews, a thorough search of the Internet was executed. The Internet had little information about any of them other than Entrepreneur C who had extensive information about herself, both personally and firm related. In addition to the Internet searches, public records were examined that would provide valuable knowledge of the various real property owned by each interviewee. The information gleaned in the records search was not discussed openly during the interviews, but was used to assist in formulating questions. Finally, in addition to the interviews carried out directly with the entrepreneurs, their managers, family members, and former employees were called upon for background information and verification. This was not done without the entrepreneur's knowledge, and was not undertaken with all of them. Background follow-ups occurred only when additional knowledge was desired or needed. Since the interview process was completed, at least two calls were made to the entrepreneurs some as late as May of 2009. In addition, if an observation technique was available, that too was utilized. Creswell (2003) points out both the advantages and limitations involved with each of these techniques. The following Table 5.2 was reproduced from his book.

Table 5.2 - Advantages and limitations in using multiple sources of evidence

Data Collection Type	Advantages	Limitations
Interviews	• Useful when participants cannot be observed directly • Participants can provide historical information • Allows researcher "control" over the line of questioning	• Provides "indirect" information filtered through the views of interviewees • Provides information in a designated "place" rather than the natural field setting • Researcher's presence may bias responses People are not equally articulate and perceptive
Documents	• Enables a researcher to obtain the language and words of participants • Can be assessed at a time convenient to the researcher -- an unobtrusive source of information • Represents data that are thoughtful, and that participants have given attention to compiling • As written evidence, it saves the researcher the time and expense of transcribing	• May be protected information unavailable to public or private access • Requires the researcher to search out the information in hard-to-find places • Requires transcribing our optically scanning for computer entry • Materials may be incomplete • The documents may not be authentic or accurate
Observation	• Researcher has a firsthand experience with participants • Researcher can record information as it is revealed • Unusual aspects can be noticed during observation • Useful in exploring topics that may be uncomfortable for participants to discuss	• Researcher may be seen as intrusive • "Private" information may be observed that the researcher cannot report • Researcher may not have good offending and observing skills • Certain participants (e.g., children) may present special problems in gaining rapport

Creswell (2003, pp. 186, 187)

This table is especially significant as one must have a full understanding of the advantages and the limitations of each type of qualitative data collection types, and once these were understood, a more complete and certain interview was guaranteed.

The second item Yin (2003) advocates is to create a case study database. In lieu of utilizing the information provided by Yin (2003), this study utilized a journal article by Levine (1985) in which he outlines five principles for a storage and recovery system for qualitative data.

1. Formatting: This is the physical structure in which field notes, demographic information, and any other form of data collected should be catalogued. All files collected must be uniform in their physical characteristics, which would include a heading containing the name of the interviewee, date, and site location of the interview. Much of the formatting is determined by the requirements of the researcher, and their ability to pull desirable information from the data. Each broad line of questioning that occurs during the interview was placed in the same area in each set of notes. The chief virtue of this type of file structure is it enables the researcher to retrieve salient facts, all physically located in the same position in each interview transcription. In terms of ensuring a proper organizational logic, Levine advocates dividing the collected information into three types of files, "event centered, topic focused, and person centered" (Levine, 1985, p. 171). The event centered files include information about the actual events that occurred during the day and include a chronological listing thereby creating a field work log. Topic centered files are "narrative accounts of cultural knowledge, beliefs, and practices as observed by the investigator or recounted to him or her by an informant" (Levine, 1985, p. 172). Finally, person centered files are used to collect information on the interviewee. The information that goes into each file is based upon the needs of the researcher; the only requirement that must be fulfilled is each record be assembled in a like manner.
2. Cross referral: in order to accomplish an easier data search process one should include notations in a file as to the location of similar information in another file. This cross referral was very useful in

that when pertinent information was located in a totally different location, rather than duplicating the material and risking a replication of data, one simply makes note that the information needed is listed in another file.

3. Indexing: This is now referred to as coding, and includes defining codes which are clear and concise. Rossman and Rallis (2003, pp. 285, 286) state, "coding is the formal representation of analytic thinking. It is not, however, simply a "bookkeeping" task: it is complex and iterative", and links data to conceptual issues. They refer to the coded data as "chunks" and advocate the use of bracketing these chunks and choosing a descriptive word for that chunk and writing it in the margin for ease of future reference. "Coding entails thinking through what you take as evidence of a category or theme". Levine indicates that there are three parts to coding. First, identified/define categories that contain relevant information. Second, organize these into a uniform approach. Third, physically they are the categories the actual written data sets.
4. Abstracting: This is the creation of a document, known as an abstract, which offers a condensed version of the information that was found in the original transcripts and case studies, without adding criticisms or interpretations. All abstracts are linked to the original documents and offer the user access to the data summaries which obviates the necessity of consulting the original documents. Often, abstracts paraphrase the original documents and are most useful in enhancing the recovery of one's field notes when it is necessary to do so and allows highly proficient admittance to all aspects of the field work.
5. Pagination: This, according to Levine, is the "process of assigning unique page numbers or other locators to every page of field notes" (1985, p. 183). These unique page numbers are used as locators for material that has been previously coded. Often, Alpha

characters are placed along with numbers and which were used to identify a specific individual in that case study.

The third and final principal of data collection is to maintain a chain of evidence. This action will increase the reliability of information in the case study by allowing the reader the ability to follow any derivations in the facts, from the initial questions through to the conclusions. One must ensure the facts presented in the case study are the exact facts as uncovered in the research, free from bias and carelessness. When preparing a case study, one of the ultimate goals is to produce a product that maintains construct validity, one which will increase the overall quality of the case presented.

The chain of evidence should allow one to trace the evidence from the beginning of the research questions through to the conclusions or from the conclusions back to the beginning. If one wished to initially read the conclusions of a case study and desired to know the sources of information, they could determine this thanks to the chain of evidence. The methods utilized for this would entail making sufficient citations throughout the portions of the case study database that require referencing. Second, the database should review the circumstances under which the data was collected and present the actual evidence. Third, the circumstances should follow the protocols as they were set forth in designing the study. Fourth, and finally, one should be able to read the protocol and discover the link between the protocol content and the research questions.

In order to continue building the methodology for this case study, Yin (2003) was a critical source of information. Yin (2003) points out the questions necessary for a proper case study are not questions that will be posed to the interviewee but to the interviewer. The questions, referred to as interview guides, served as reminders to the interviewer regarding pertinent information needed to be collected from the subject being interviewed and could serve as a device to prompt other questions that need answering. As Yin (2003, p. 74) states, “the main purpose of the protocols questions is to keep the investigator on track as data collection proceeds”. In addition, there are six distinct sources used, documents, archival records, interviews, direct observation, participant observation, and physical artifacts (Yin, 2003). Prior to beginning the actual interview process, each of the sources was reviewed for all of the interviewees, and at times this information was not totally accurate according to the subjects; however, it gave an overall snapshot of the subject and allowed for greater in-depth investigation. The main interview with each entrepreneur, of course, provided the most important sources of information. Follow-up interviews have filled in several voids that occurred as the data was being processed. These have been done both via the telephone and in person.

Now that a brief discussion of the methodologies utilized in preparing for the actual interviews has been completed, there will be an explanation of how each objective was used to prepare pertinent questions. In order to prepare the questions, each objective had to be analyzed in a way that would allow the interviewer to create a workable set of questions that would answer all of the issues the objective propounds and to ensure the parties fully understand the objective.

The first objective, *to explore the characteristics of the portfolio entrepreneur and the businesses involved in a failure*, requires one understands what previous studies have found to be important characteristics of portfolio entrepreneurs. The literature review chapter on portfolio entrepreneurs included numerous references to their characteristics, all of which were discussed during the interview process to determine which of the characteristics did, in fact, align with those of our interviewees. Also, an in-depth discussion took place about the business background and the personal background of each to aid in ascertaining information that would help explain why they had the ability to become a portfolio entrepreneur.

Since this objective also involves the characteristics of any businesses under the ownership of the interviewee that may have failed, a very judicious yet vigilant discussion ensued about the failed business or businesses. This line of questioning was designed in a way that the entrepreneur could be aware the interview would not shy away from sensitive issues; however, it was pointed out to each of the entrepreneurs, in spite of ethical and sensitive issues arising during the discussion, any names of people, places, and events would be concealed to the best of the author's ability as delineated by Berg (2003). This line of questioning laid the groundwork for the discussion that was to take place about objective number three which dealt with the sensitive issue of the entrepreneur's failures in business.

The second objective, *to explore the entrepreneur's motivations for multiple business ownership and the relationships that exist between the various businesses that the entrepreneur has started,* was interesting to all parties, and each entrepreneur enjoyed speaking about what motivates them. In addition to the discussion of motivation, the relationship between the various businesses was covered. This methodology follows the charge by Carter and Ram (2003) when they emphasized the need to focus on the entrepreneur and their enterprises and specific strategies they utilize. This discovery explored the resources of knowledge and capital and the entrepreneur's ability to use those resources in creating and linking their businesses. This was precisely the aim for this objective and was a natural lead in to a discussion concerning clusters.

The discussion on clusters and group development was highlighted by an attempt to determine the relationship between the various firms owned. It was at this point the hypothesis put forth by Iacobucci and Rosa (2005) was discussed, which stated the relationship between various firms takes place as a result of a growth process of diversification from the original firm. They conclude that the original firm becomes more diversified and creates spin-offs, and as these occur, a group or cluster is formed. Once the cluster is in place there are certain factors that will affect the success of the group. Gaskill, Van Auken, and Manning (1993) found that one of the major reasons for failure among firms was an internal problem, a lack of managerial function. Since this objective pertained to success among the various firms and the relationships that existed, a question and answer period ensued in which the various managerial styles upon which the entrepreneur depended were discussed.

The third objective, t*o explore the entrepreneur's perceptions of the antecedents and causes of the businesses failure and to examine any exit strategies deployed by the entrepreneur to divest the failed business*, allowed an examination as to the various causal factors of the failure and a background that precipitated the failure. Also, this objective allowed for an exploration of the various exit strategies utilized by the interviewees and to discuss their perception of what constitutes a failure. Researchers have pointed out that during qualitative studies one must avoid discussing only the positive aspects of running a business, as this will lead to only positive outcomes for the study; therefore, the discussions with the parties being interviewed explored both the good and the bad about their firms and their own leadership abilities

Studies state that "most firms fail" (Stinchcombe, 1965; Hannan & Freeman, 1984; Low & MacMillan, 1988; Fichman, 1991; Aldrich & Martinez, 2001; Sarasvathy & Menon, 2002), a declaration that is refuted by statistics, which are presented in studies by Headd (2003), Phillips et al (1989) and Timmons et al (2003). A discussion about this statement ensued with the entrepreneurs to establish their thoughts on this pivotal subject and lead to a discussion concerning success and failure and the fact, often, a failure in a business is, in fact, a success, as pointed out by Coelho and McClure (2005) and Sarasvathy and Menon (2002, p. 21), who stated:

> "Firm successes and failures do not determine the successes and failures of entrepreneurs. In fact, entrepreneurs can use firms as instruments to increase the probabilities of their own success".

Each of the entrepreneurs was given ample opportunity to fully explore their successes and failures, and endeavor to determine whether or not one of their failures was, in fact, a success, sometimes contrary to what they believed. It was during this exploration of the success and failures a discussion took place concerning the antecedents and reasons for the failure.

Schutjens and Stam (2006) questioned whether the entrepreneurial intentions at the time of the closure could predict the future entrepreneurial aspirations of the individuals involved. In their study, they found subsequent to a closure, be it a success or a failure, the individuals with entrepreneurial experience contributed more to the level of entrepreneurship in the area, mostly due to their past experiences. This statement allowed a discussion about "past experience" and "prior knowledge". Some studies stated experience is a crucial element in a successful venture (Westhead & Wright, 1998b), while others stated it only serves to influence the entrepreneur (Cooper, 1981), and yet others state there is very little evidence to support a view that "previous venture experience endows habitual entrepreneurs with a greater propensity for business success" (Alsos & Carter, 2004, p. 1). It is this difference of opinions among researchers that made this objective most interesting and allowed for a lively discussion as to whether or not the interviewees believed past experience, even in the form of a failure, could be a positive asset for a business owner.

The final part of this objective was to discover how the interviewees perceive exit strategies, including bankruptcy, closure, selling out, and creative destruction. Failure in the business is often automatically believed to be a negative event; however, studies have shown often by utilizing an effective exit strategy, one can turn the perceived negative event into a positive event. Stokes and Blackburn (2002) analyzed failure from a positive standpoint. Questioning entrepreneurs and associates of entrepreneurs, they were unable to ascertain whether closure is a negative event. Sixty-two percent of their respondents opened new businesses and 70 percent were positively encouraged by the experience. The question is, therefore, perhaps by having an exit strategy in place and by moving on to new achievements, entrepreneurs can avoid the negative effects of failure.

The fourth objective, *to explore the managerial issues which arose from the failure and the effect of the failure on the entrepreneur and the remaining enterprises*, is designed to deal with the events as the failure was taking place. Research did not identify any studies which dealt with managerial issues that occur during a failure event; however, there are studies that discuss antecedents to a catastrophic event. Cannon and Edmonson (2005) described early warning signs managers and owners should be aware of, signs there may be a problem and management should be taking precautionary steps. Often, management tends to overlook these signals or simply interprets them as flukes or perhaps only a temporary problem that will go away by adhering to the firm's core beliefs, in other words, they considered it to be a temporary problem. These small failures may be a temporary problem, but if not recognized quickly and corrective action taken, a catastrophic event may follow. This paragraph was read to each of the entrepreneurs in this study with the hope of encouraging a spirited discussion.

If there were poor managerial procedures in place prior to closure, there may be even poorer procedures following a failure. Again, Cannon and Edmonson (2005) describe the “chaos” that can ensue subsequent to a collapse. They describe a scenario in which there are insufficient resources to bring together the various managers in an attempt to overcome the problems that have occurred. Often, due to the chaos, employees do not have a clear understanding of what caused the failure, how to prevent future occurrences, and sometimes tend to pass blame for the event to others.

One additional managerial issue that warranted a discussion was the concept that entrepreneurs may, sometimes, be guilty of carrying on risky or reckless activities prior to a tragic failure (Cooper, Woo, & Dunkelberg, 1988). This line of questioning was potentially troubling due to the implication that perhaps the failure was the fault of the person being interviewed. Further questioning was necessary to determine, if in fact, the entrepreneur felt they were a bit reckless, did that recklessness lead to the failure, and, if so, how has this knowledge changed the entrepreneur? Did it change the perception of risk or risk aversion, and if it did have a long-term effect on the entrepreneur and their remaining businesses, did it positively or negatively change the entrepreneur’s outlook?

The fifth and final objective, *to examine the consequences of the business failure on the future entrepreneurial plans of portfolio entrepreneurs*, was designed to examine the consequences unlike the previous objective that scrutinized the effects. Most successful people know exactly what they want out of life; the interviewed entrepreneurs were no exception. To fully explore this objective, a series of very pointed questions were asked whose answers gave insight into the future of these individuals. Most entrepreneurs harbor numerous goals, hopes, visions, and dreams for their future. A study by Brandstätter (1997) reinforces this statement. In a study with 368 entrepreneurs responding, he found 73% felt good in their role as an entrepreneur, are satisfied with the success of the past five years, and expect even more success in the coming five years (Brandstätter, 1997, p. 170).

The goals of the entrepreneurs are important to this thesis; do they want to retire, open more businesses, close some of their ventures, or just continue to function until the end of their life? All of these options were discussed. If the entrepreneurs had any strategies for achieving their goals, an attempt was made to discover these. Several important questions were explored, such as where are you now as compared to where do you want to be in years to come? What will you have to do to get there, can you afford it, and finally, how will you achieve your goals for the future? It was at this point the discussion turned to the work by Storey (1994) that discussed the three consequences of the business failure. Questions followed that included whether or not the entrepreneur felt when a failure occurred was there in fact a shift of resources from the lower returns of the failed firm to higher returns in a more successful venture? In addition, did the entrepreneur's knowledge of risk/return improve as a result of the failure, and, finally, would the entrepreneur consider this failure as a learning experience?

Another area of investigation comes from McGrath and MacMillan (2000) who stated that one of the five characteristics entrepreneurs have in common is:

> "They engage the energies of everyone in their domain. Habitual entrepreneurs involve many people—both inside and outside the organization—in their pursuit of an opportunity. They create and sustain networks of relationships rather than going it alone, making the most of the intellectual and other resources people have to offer

> and helping those people to achieve their goals as well" (McGrath & MacMillan, 2000, p. 3).

This statement made by McGrath et al (2000) was a perfect segue for a discussion about their portfolio entrepreneurial philosophy. Is it possible a consequence of a failure would be enough to drive the motivated entrepreneur to open more businesses? Again, this became very delicate as an attempt was made to determine whether new firms were created in an attempt to overcome the stigma of a failure and since this objective questioned whether the failure of a business affected the way the entrepreneur has looked at pursuing future endeavors, it was the correct place to peruse this line of questioning. Moreover, could failure be a driving force in making the entrepreneur a success? Past studies have indicated one of the main unplanned consequences of seeking success rather than learning from failure is an inclination to carry mistakes forward and forget the true lessons one can learn from failure (McGrath, 1999). Other authors (Baumard & Starbuck, 2005, p. 283) believe learning from repeated success can also ensure future failure. "Long periods of continued success foster structural and strategic inertia, extreme process orientations, inattention and insularity", so it seems there is disagreement among the various authors as to what action will benefit the future success of an enterprise. However, Ucbasaran et al (2001) addressed this issue and concluded, by studying failures and successes, one can begin to see the connection by which habitual entrepreneurs emerge. This variation in thinking among the authors enabled a discussion during the interview process to determine whether the entrepreneurs believed not only failure, but perhaps both failure and success in business, has the ability to affect the future success of business ventures, which potentially are forthcoming.

In order to explore the future plans for each entrepreneur, it required a detailed look forward with each of the entrepreneurs and what they had planned, be it more new businesses, improve existing firms, or to pursue exit strategies and discontinue operations completely. Their input provided a relationship between the various people and how failure or time has affected their ability to continue in business. Finally, several other questions were explored. Has the failure of a business affected the way the entrepreneur has looked at pursuing future endeavors? Could failure be a driving force in making the entrepreneur a success? Perhaps it is a deciding factor in whether or not to open more businesses and do the consequences of failure have a long-term effect on the entrepreneur?

5.3.5 The interview guide

"The ability to pose and ask good questions is … a prerequisite for case study investigators" (Yin, 2003, pp. 59 - 60). In addition, Yin (2003) says, if the investigator is the type of individual that is immediately prone to ask a host of new questions based on answers given by the interviewee, they will more than likely conduct a successful interview. Earlier in this chapter in a discussion about protocol design, the preparation of specific questions the researcher must keep in mind and the potential sources of information for answering questions were covered. Miles and Huberman (1994) assert the questions asked during a qualitative study represent many of the components of a down-to-earth or realistic area whose discovery is the ultimate quest of the researcher. These questions can be of a very general nature, can cover a particular event or circumstance, or they may be descriptive or explanatory. Any type of question is allowable as long as the ultimate goal of discovering previously unknown information remains intact.

An interview guide, presented as Appendix II, was prepared that covered topical areas and questions that were indicated earlier in this chapter in the discussion of the goals and objectives. These questions were developed to aid in focusing the line of questioning and led to the discovery of the desired information these portfolio entrepreneurs held. It was discovered during the interview process one question easily prompted several other questions, all of which ultimately produced the data needed to complete the case study.

5.4 Data preparation and processing

Each of the interviews carried out for this study were audio taped and a transcription of each was prepared. In order to preserve the validity of these transcriptions, any utterances such as “uh” or “um” were transcribed, as well as pauses or gaps in the discussion. It must be pointed out the interviewees did not have editorial ability.

The next step involved a review of the transcribed information in order to fully understand the information provided so a complete overview of each respondent's answers could be completed. In addition, field notes, memos and other documents gleaned during the interview, document review, and observation processes were analyzed and triangulated in order to double check their validity. Triangulation was utilized in the analysis of multiple sources of evidence. One of the greatest strengths of case study data collection is the utilization of multiple sources; however, this requires triangulation of the data in order to discover "converging lines of inquiry" (Yin, 2003, p. 98).

This completed information was then organized into categories by utilizing NVivo software to code and delineate re-occurring themes that emerged during the interview process. (See appendix I for a complete list of categories). The finished transcripts were saved in a Rich Text Format (RTF) for importation into the NVivo database. NVivo is qualitative analysis software manufactured by QSR, and sold under the trade name NVivo. To explain the function of the software, the following is taken directly from the QSR website:

> Whether you want to explore an issue, understand or explain a phenomenon or develop a theory, QSR software is designed to help you make sense of your information. Our qualitative data analysis products are different to statistical or quantitative software, which analyze numerical data. QSR software helps you to access, manage, shape and analyze detailed textual and/or multimedia data by removing manual tasks like classifying, sorting and arranging information. You’ll have access to a range of tools to help you clarify your understanding of data, discover meanings and patterns and arrive at answers to questions. It’s software that frees you to devote more time to analysis and insight (QSR, 2007).

Upon completion of the analysis of the data by NVivo, a clearer understanding of the goals and objectives as laid out in the conceptual framework was achieved. As a result, comprehensible and concise conclusions were reached. The following report is taken from the NVivo software and displays the various search statistics employed in the use of the product.

Table 5.3 – Nvivo project report

NVivo revision 2.0.163 Licensee: Jim Dever

Project: Dever Thesis **User:** Administrator **Date:** 7/11/2008 - 11:23:12 AM

PROJECT REPORT

Project Folder:	C:\QSR Projects\Dever Thesis
Project Commenced:	5/15/2007 - 1:14:31 PM
Modified:	7/11/2008 - 11:19:14 AM
Description:	

Strathclyde PhD

PROJECT TEAM

Administrator:	Administrator
Team Members:	1
Login access required?	No
Team Member 1:	Administrator
Affiliation:	Administrator
Date Joined:	5/15/2007 - 1:15:17 PM

PROJECT STATISTICS

Documents:	23
Memos:	18
Non-memos:	5
Nodes:	47
Extracts:	0
Non-extracts:	47
Free Nodes:	7
Tree Nodes:	34
Case Type Nodes:	6
Case Nodes:	0
Sets:	1
Document Sets:	0
Node Sets:	1
Attributes:	9
Document Attributes:	8
Node Attributes:	1
Models:	0

5.4.1 Data analysis

According to Yin (2003), the analysis of case studies is one of the least developed fields in analytical research. Many scholars are unsure about the methods of data analysis, so they collect data and then have difficulty analyzing and writing about the findings. In order to ensure the success of the analysis in this thesis and to strengthen the content reliability and validity, an outline of data analysis methods will be offered in this section. There is no easy, fixed formula to guide the researcher.

Miles and Huberman (1994, p. 10) provide their view of qualitative analysis and define analysis "as consisting of three concurrent flows of activity: data reduction, data display, and conclusion drawing/verification".

1. Data reduction: the “process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written-up field notes or transcriptions… data reduction is a form of analysis that sharpens, sorts, focuses, discards, and organizes data in such a way that ‘final’ conclusions can be drawn and verified”.
2. Data display: “a display is an organized, compressed assembly of information that permits conclusion drawing and action… looking at displays helps us to understand what is happening and to do something -- either analyze further or take action -- based on that understanding." These displays may include “many types of matrices, graphs, charts, and networks. All are designed to assemble organized information into an immediately accessible, compact form so that the analyst can see what is happening and either draw justified conclusions or move on to the next step of analysis the display suggests may be useful”.
3. Conclusion drawing and verification: the third string is drawing conclusions and verification of data. As data collection begins a competent analyst starts to note patterns, configurations, and general flows in the data. At the beginning the researcher will take this information lightly; however, as the data collection process continues this

> collected information will began to be more grounded, explicit, and more meaningful. Once the data begins to become clearer, “the meanings emerging from the data have to be tested for their plausibility, their sturdiness, their ‘confirmability’- that is, their validity. Otherwise, we are left with interesting stories about what happened, of unknown truth and utility”.
>
> (Miles & Huberman, 1994, pp. 10 - 11)

Miles and Huberman (1994) write of the importance of beginning a data analysis early during the collection process. They suggest instead of delaying analysis until the data collection is complete, researchers should begin to analyze data and develop codes early in the process. By starting early, they state built in blind spots will be corrected and analysis will be an ongoing enterprise that will contribute to energizing the fieldwork.

Qualitative data is usually in the form of words rather than numbers (quantitative data) and, therefore, requires a different analysis. Once again, Miles and Huberman (1994) recommend qualitative researchers organize their data in a format that allows for ongoing analysis, and at the end of the data collection process, one will have a much better idea of what the data means. After each interview the data should be processed for analysis. This included converting field notes to "write ups", by typing or transcribing. The reason for this is write ups are usually decipherable only by the interviewer; therefore, all of the abbreviations, notes, and sketchy memos one prepares in the field can be put into an intelligent order, which, when reviewed, will stimulate one's memory and recall of the events that took place during the interview.

The first actual method involved in data analysis, according to Miles and Huberman (1994), is the development of a "contact summary sheet" which they defined as a paper containing questions about a particular contact. A review of the written up field notes takes place as the interviewer attempts to answer each question in order to develop an overall understanding of the main points in the interview. In this contact summary sheet, one should address what the main concepts of the interview were, what were the themes, issues, and questions that occurred during the interview. By answering these interrogatories, one would be more prepared to begin the process of analyzing the data. One important factor the authors point out is the contact summary sheet is rather simple. It is a quick way to do first run data reduction, and will ensure that none of the information necessary for a successful study will be lost (Miles & Huberman, 1994).

As data collection process began, large amounts of data were collected mostly from the interview process, in what Miles and Huberman (1994) say is a geometric function; therefore, they recommend researchers develop a preliminary listing of data codes even before data collection begins. They define codes as, "tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study" (Miles & Huberman, 1994, p. 56). Codes can be descriptive, interpretive, and pattern codes, each of which carries their own meaning and usage. One must remember regardless of how complete the preliminary listing of codes is, other codes will emerge and develop as data collection continues. As these new codes come about, "three sources of knowledge are being weighed" (Miles & Huberman, 1994, p. 62). First, the researcher is constantly refining parts of the conceptual framework that outlined the entire study. Second, the fieldwork becomes more animated and understandable as time passes. Third, the field site continues to offer new leads, challenges, themes, and even contradictions that, regardless of how hard the researcher works, will never fit precisely into the conceptual framework.

Once a workable set of codes is created, the next step is to utilize pattern coding Miles and Huberman (1994, p. 69) describe as exploratory codes that will identify themes that are emerging and will assist in bringing a myriad of information into a more understanding unit of analysis.
The authors pointed out four important functions of pattern coding (Miles & Huberman, 1994, p. 69):

1. It reduces large amounts of data into a smaller number of analytic units.
2. It gets the researcher into analysis during data collection so later field work can be more focused.

3. It helps the researcher collaborate in a cognitive map, and evolving, more integrated schema for understanding local incidents and interactions.
4. For multi-case studies, it lays the groundwork for cross case analysis by surfacing common themes and directional processes.

These pattern codes are often the most pleasurable part of data analysis, according to Miles and Huberman (1994), and lead to the next step in the process, memoing.

Memoing, according to Glaser (1978, p. 83), is "the theorizing write-up of ideas about codes and their relationships as they strike the analyst while coding". These memos have no predetermined length and may be only one sentence long, perhaps a paragraph, or even a few pages. "It exhausts the analyst's momentary ideation based on data with perhaps a little conceptual elaboration" (1978, pp. 83 - 84). He continues by stating memos should always include the current date, key concepts that tie back to the conceptual framework, and should be linked to any aspects of the data that are pertinent to the overall study. Memos are written to oneself and to the readers and should be written at least once per day while conducting interviews and collecting data, as well as during the final analysis process.

5.5 Reliability and validity in qualitative studies

"In order to do a proper analysis of the qualitative process, one must consider the problems that may arise during the process" Rosa (1998, p. 49). Several problems associated with the qualitative case study techniques have been discussed up to this point. In dealing with the historical context of the entrepreneur, oftentimes incorrect or inconsistent information is provided. This is not always done purposefully; sometimes the facts about the interviewee and how they are presented are skewed in order to save face. Distorting the truth may be one way the entrepreneur can avoid facing, sometimes painful historical facts about themselves. This should be a very important consideration in conducting qualitative research and is the reason the interviewer should have background information from outside sources prior to beginning the interview. Rosa (1998) points out the interview may be influenced by a "social interaction" between the parties involved. The researcher must ensure their own values and opinions are not interjected into the conversation whereby the interviewee could be influenced unduly. Life histories of the entrepreneurs should not be taken at face value, as they cannot withstand a litmus test as being correct data.

5.5.1 Reliability of data

Reliability was defined by Kvale (1996, p. 235) as the "consistency of the research findings". In an attempt to ensure the reliability of information, one must remain mindful of the ultimate goals of the research, and use whatever means they find available to ensure that reliability. The use of varying sources of information remains one of the best guarantees to ensure reliability, but in addition to this, other methodologies were employed. All of the interviews were recorded with transcription taking place immediately following the interview. Any available information that could be obtained about the entrepreneur and their firm was located prior to the interview and was double checked using any legitimate means available. Nvivo was employed to code the transcribed interviews and the potential problems of unreliable data were searched out. One final method of ensuring reliability was an attempt to ask the same question in different ways, hence uncovering unreliable or untruthful information. With the exception of a few insignificant items, such as dates, the entrepreneurs were overtly open and honest, and any items that appeared to be unreliable, actually turned out to be misstatements rather than untruths.

5.5.2 Validity of data

In an attempt to ensure the validity of information in this thesis, a multi-method approach was utilized, as outlined by Stiles (2001), in which he stated a triangulation methodology using the actual interviews, archival information, in this case, the Internet, or public records, and the view of the interviewee would produce a valid and believable set of knowledge. This methodology using triangulation proved to be exceptional at obtaining truthful and valid information. By having the ability to triangulate the information that was being provided gave the thesis a much better validity and provided a much more accurate and holistic measurement of the information being provided by the entrepreneur. As was stated in the reliability section of this thesis, recording and transcribing the interviews helped in ensuring the validity of the information. Another method utilized was outlined by Maxwell (2002, p. 45) as he described the descriptive validity of research. In this method, questions in the validity of the information given in the interviews were repeated to the interviewees or in one case, the individual that the information pertained to, for follow-up and further explanations. Overall, triangulation proved to be the most efficient way to ensure validity in this thesis.

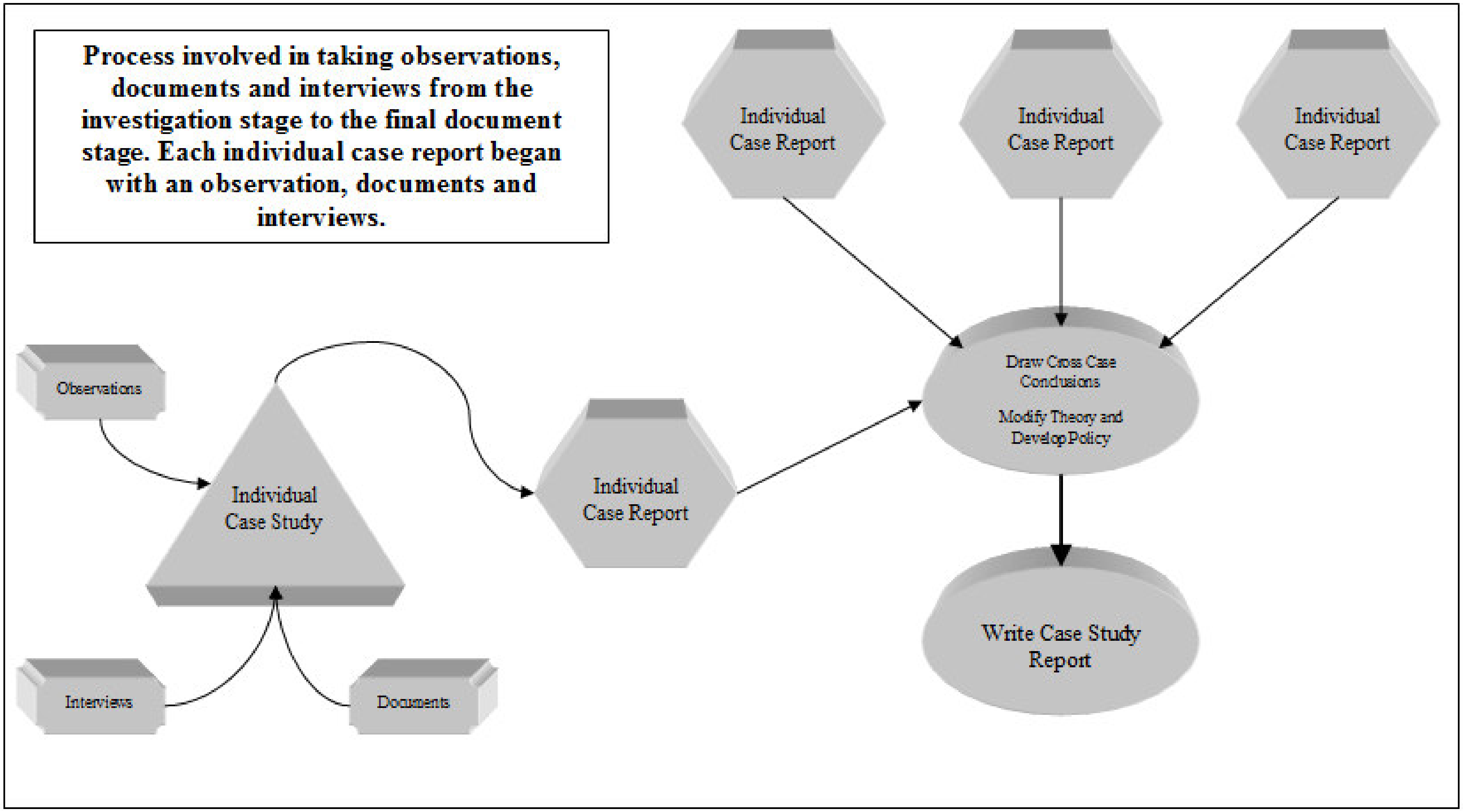
5.6 Conclusion

This methodology chapter has covered all aspects of determining the proper methodology that should be utilized for this thesis, as well as the methodologies that had to be incorporated in order to ensure its successful completion. Once the decision was made as to the type of study to conduct and the goals and objectives were finalized, this thesis utilized many varied yet harmonious sources of information to ensure success. Three activities consisting of data reduction, data display, and conclusion drawing were employed from the beginning of the data collection process throughout the data analysis process. In addition, theoretical data analysis techniques were adhered to, and, by adopting these suggestions, this study took large amounts of data, which included memos, field notes, documents, and transcribed interviews, and reduce them to understandable and usable data sources. These data sources provided the vehicle necessary to reach and develop conclusions that would answer the question of the effect of failure on the portfolio entrepreneur.

The ontological stance of this thesis required research to determine how failure affected the portfolio entrepreneur and their associated businesses through the study of the characteristics shared by the entrepreneurs. This also included how they differed from each other according to each entrepreneur's circumstances. The information captured using this ontology revealed important concepts and relationships between the entrepreneur and their firms, attributes and instances of a particular realm. The ontological approach prescribed a method of social scientific investigation that identified the various mechanisms portfolio entrepreneurs utilized to adapt themselves and their organizations to failure. By using critical realism, the thesis was able to discover the activities of the entrepreneurs in both the empirical and the actual realms, and discern accurately any events that were occurring in the businesses before, during, and after a failure event. As the research for this thesis proceeded, certain core competencies were discovered that included the knowledge of the entrepreneur as well as their skill sets, both of which influenced their ability to overcome and learn from failure.

The ontological stance utilized in this thesis aided in shaping the epistemology by developing a relationship between the entrepreneurs and the researcher as to the information that was offered and how that information could be used to potentially discover the effects of failure on the entrepreneurs and their firms. By creating an ontology that would effectively aid in creating an understandable epistemology, the process of methodology development was enhanced. The methodology chosen for the thesis is a result of a usable ontology which shaped the epistemology and hence made methodology development less complicated.

Table 5.4 – Processes involved in case studies



CHAPTER 6

DESCRIPTION AND EXPLORATION OF THE CASE STUDIES

6.1 Introduction

This chapter introduces the five case studies of portfolio entrepreneurs that formed the basis of the data collection. The cases were selected on the foundation that the individual had developed a portfolio of businesses, but each had experienced a business failure. As indicated in the literature review chapter on failure, business failure is the discontinuance of a business for any reason, formal bankruptcy proceedings, termination to prevent further losses, and failure to 'make a go of it' (Cochran, 1981, p. 52; Watson & Everett, 1998, p. 39). Initially, due to difficulties in finding entrepreneurs who met those criteria, a snowball or chain sampling was utilized. This methodology allowed the researcher to locate an initial subject who then could direct the research toward additional subjects. Also, a second sampling method of "extreme and deviant case sampling" was employed. This involved an investigation into outstanding successes, notable failures, and any other phenomenon which could be categorized as extreme. This was accomplished utilizing interviews, the World Wide Web, and business periodicals.

One-on-one interviews with the subjects, as well as data collection from Web based information, personal contacts, employees, family, and any other available source of vital information, allowed for a comprehensive data collection process. The case study method allows an in-depth examination of individual experiences that collectively may contribute to our wider understanding of the role of failure within portfolio entrepreneurship. This chapter also addresses the first two research objectives of the study:

> *1. To explore the characteristics of the portfolio entrepreneur and the businesses involved in a failure.*

2. To explore the entrepreneur's motivations for multiple business ownership and the relationships that exist between the various businesses that the entrepreneur has started.

Cases are presented in the following order: Each case study begins by introducing the entrepreneur and presenting a summary of their entrepreneurial interests and actions. The case studies then present a chronological biographical account of their businesses, a narrative of their failure event, their entrepreneurial characteristics, their reasons for multiple business ownership, and finally, their plans for the future.

6.2 Case study one: Entrepreneur A -- Aviation

6.2.1 Introduction

Entrepreneur A is a 43 year old male who owns and operates businesses in the aviation industry. He launched his first venture at 21 years of age. All three of his current businesses are aviation related and consist of an aviation flight school, aerial pipeline patrol business, and airplane sales. In addition, he owned and operated an insurance business that included insurance sales and financial planning. This insurance business would ultimately result in failure for Entrepreneur A. Although the insurance business was unrelated to the aviation sector in which he had operated successfully for many years, owning an insurance firm offered some apparent advantages to his aviation based businesses. Entrepreneur A explained the complementarities of the two sectors and the anticipated rewards of vertical integration as follows:

> "I hoped that at some time to tie the insurance business in with an aviation insurance business. I thought that this would be a natural progression from owning a flight school, to patrols, to sales, and finally owning my own insurance company which would save me some money. This would enable me to offer a full line of products to my customers… [and] that my knowledge of aviation would allow me a competitive advantage over other aviation insurance companies."

Entrepreneur A is a portfolio entrepreneur who is constantly on watch for new opportunities to expand his holdings. His ability for opportunity recognition is exceptional. In this case, his motivation for multiple business ownership was due to his aptitude in identifying the need to keep his aircraft flying, provide new jobs for his students, and have the ability to purchase and sell his aircraft. He was able to take advantage of his economies of scale and to further his ability to make a living through business ownership.

6.2.2 Biographical account

Startup

In 1985, Entrepreneur A opened his first business, an aircraft flight training school. Having flown his first airplane at the age of 15, he knew immediately his life's work would be in the aviation industry; he just did not know in what capacity or that he would be a business owner. As he explained: “I didn't even know what an entrepreneur was until I was 16”. A turning point in his career occurred when he read Lee Iacocca’s autobiography and he began to realize not only did he want a business career, but his main desire was to work for himself. For him, these starting points in his entrepreneurial career convinced him he was not born to be an entrepreneur but he became one by working at it daily.

In what Entrepreneur A described as a natural progression, with his aircraft flight training school growing, one business led to another out of necessity. Customers would approach him with requests for services he was not providing, such as aerial photography, additional flight instructions, pipeline patrols, and aircraft sales. In an effort to expand, and at the same time accommodate his customers’ needs, a new business would emerge. Within five years, and in spite of the risks, he was the owner and operator of three successful aviation businesses. This natural progression Entrepreneur A referred to is a textbook example of the Corridor Principle as identified by Ronstadt (1988, p. 34) in which he states:

> "The act of starting a new venture moves an entrepreneur down a venture corridor that allows him or her to see intersecting corridors

> leading to new venture opportunities that they could not see before getting into business. Occasionally, a new entrepreneur may have identified these other venture opportunities prior to starting an entrepreneurial career but can not take advantage of them until a business is created."

Ronstadt also stated one must be in business prior to having the ability and the knowledge to see new opportunities as they arise. This is certainly true in the case of Entrepreneur A. If he had failed in his effort to start his flight school, he would neither have had the knowledge nor the resources to start subsequent businesses.

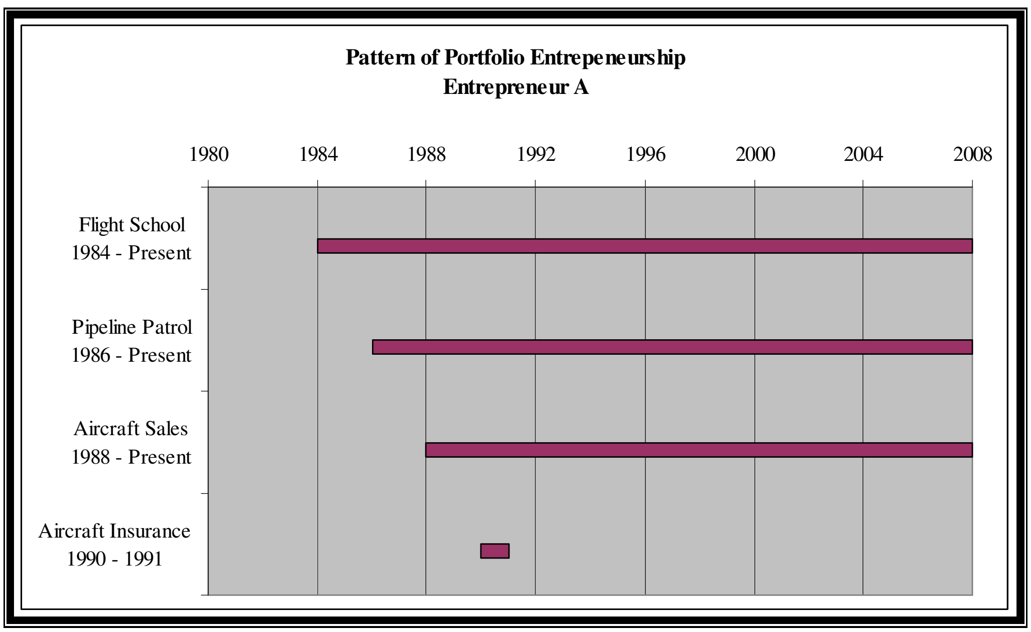
Contrary to his obliviousness to risks, Entrepreneur A decided, in order to better protect the firms and himself, and to save additional expenditures, he would incorporate each business separately. The savings would come from his ability to insure the firms separately. The pipeline business and the aircraft sales business can be insured for much less than an aviation flight school. If the firms were operated as a single unit, the insurance premiums would be based on the highest risk business, that being the flight school. An airplane mishap at one business would not jeopardize operations at his other firms.

Entrepreneur A was now the owner of nine aircraft, a flight school that was graduating new pilots at the rate of 20 per year, and flying patrols for some of the major gas pipeline transmission firms in America as well as the major electrical transmission firms. He decided in 1990, he could provide yet another service for his customers and at the same time enlarge his entrepreneurial holdings. An aviation insurance business would be a suitable link to his existing portfolio as it would enable an element of vertical integration. Up until this point, Entrepreneur A spent $18,000 to $22,000 annually on insurance premiums for his collective aviation businesses and with cost saving benefits that would come from owning an insurance firm, he saw little or no risk in pursuing a business outside of his normal activities. As he explained, his annual savings could exceed $10,000 just on his account alone.

Table 6.1 - Important events in the entrepreneurial career of Entrepreneur A

Entrepreneur A - Timeline		
1984	Began operation of flight training school	
1986	Pressure from outsiders prompted the creation of the pipeline patrol business	
1988	Aircraft sales firm started to improve economies of scale with the sale and purchase of aircraft	
1990	Started the aircraft insurance business to increase his holdings and to reduce his cost of operations in the aviation businesses	Insurance business began to deteriorate and was closed before the end of the year
2008	He continues to successfully operate his businesses	

Table 6.2 – Timeline



The firm failure

In 1990, Entrepreneur A expanded his portfolio to include an aviation insurance business presuming this would have been a natural progression from various aviation flight businesses. At the outset, he decided it would be more appropriate to create an insurance firm rather than purchase an existing firm due to the costs involved in acquiring one. He began searching for an insurance firm that would allow him the ability to develop a full-service aviation insurance business. As he explained, the search for an insurance business did not preoccupy him for very long.

> "The first person that came along, that I could get an agency from and some training, I latched on to them without really investigating anything".

He hired three office workers, a manager and two clerical staff, and the insurance business was started. He readily admits immediately after opening, trouble began as he realized his lack of experience in the insurance market was a substantial disadvantage.

> "Other people that were in the same business were being successful, to be quite honest, when I got into this business it was not what I thought it should be and I would rather have been at the airport messing with my planes rather than sitting behind a desk talking to someone about insurance. I wanted to be at the airport. As a result, I did not spend the time at the insurance company that I should have, this was the problem. It is hard to admit, but I guess I would have to admit that it was in fact a lack of managerial function, I wasn't there."

Within one year of its inception, the insurance business was bordering on closure. Commissions on policies were the sole income for the firm, and, as with any new business, sales were slow but increasing monthly; however, not rising enough to justify continuing operations. The firm never had a profitable month, and instead of becoming an asset to his existing businesses, the insurance business had become an immediate liability. It took large amounts of his time, requiring him to be away from the airport he so dearly enjoyed. Just as importantly, Entrepreneur A had lost all interest in the firm and realized he had to make a choice between his aviation businesses and the insurance business. While it was possible he could have enjoyed continuing to run the insurance firm had he been able to devote time to it, but he had to make a decision either to be a successful aviation executive or to be an average insurance salesman. The choice was quite easy for him; he closed the aviation insurance business.

Even though Entrepreneur A indicated the best method of divesting oneself of a business would be a sellout; he chose instead to shut the doors and walk away. This variation in philosophy was brought about due to his desire to resume, what he called, a normal entrepreneurial track and to avoid questioning his own ability. He had the following to say about the closure:

> “It wasn’t really a big deal that it did fail, because luckily I had thought ahead and had everything set up so that when it did fail we simply closed the doors sold off the equipment and that was the end of it. We were fine, but that is how I turned myself around, by spending time questioning "why did this fail"? I didn't spend a lot of time dwelling on the fact that it closed but more time trying to figure out why it did close.”

His lack of expertise in the insurance business, but more so, his lack of attention and failure to spend time at the agency can be credited with causing the failure.

With his help, the manager of the insurance firm was able to retain the territories the insurance firm owned, and within two months, the manager was able to reopen a new firm. There was no animosity, and Entrepreneur A had the following to say about these events:

> "It [the failure] had no effect on me, one way or the other, I guess you might say, I was happy for him [the manager] and his family, and he is still doing very well. I was just glad to be free of, what I considered to be a nuisance. First and foremost, he [the manager] enjoyed the business. I could not stand it. He liked to visit with people, he liked to talk, and he was a good salesman. I am happy to say he has done well with the business, but I have absolutely no regrets whatsoever.”

In analyzing the failure of the insurance firm as to whether or not this may have been a very risky undertaking for Entrepreneur A, he was quick to point out he considered the entire process harmless.

> "Reckless maybe, but I don't think it was risky. Reckless in that I did not talk to somebody prior to opening the company and finding out what I was getting into. Some other agents could have helped me that had been in the business before. I don't see that it was risky as such, but it was reckless. I assumed that something good would come out of this, and I wanted to own an insurance company, so I did it. I just did not take the time. Hindsight tells me that I made a big mistake and that in the future, I should do a lot of research and know who I am dealing with, what I am doing, and what do I need to do to avoid failure."

The effect of a failure in the insurance business had a positive effect on the entrepreneur in that it allowed him freedom to attend to his remaining three businesses, and a minimally negative affect on his employees. In an effort to make the new firm successful, Entrepreneur A had spent valuable time away from the airport and the businesses he treasured. This absence led to a downturn in sales which was reversed soon after the closure.

> Oh, I think they [the existing companies] were actually a lot better off since I was able to focus all of my efforts on making them successful. All of my attention could now be directed only at those remaining companies and so they were much better off, and so was I… it was not really as bad as I am making it out to sound, of course, I was disappointed to see it close, but I was very happy at the same time… [The remaining two employees] were both only clerical staff, and immediately went to another job, another firm, and probably did better than they did working for me.

6.2.3 Perceived entrepreneurial characteristics of Entrepreneur A

Entrepreneur A defined an entrepreneur as, "a person who is constantly on the lookout for new opportunities", and he believes entrepreneurs are not born, but learn how to be entrepreneurial over time and with experience. This characterization of an entrepreneur is evident in the qualities he possesses as a business person. He credits most of his success to being able to see a need, a niche as he calls it, that no one else has bothered to fill. Add to that, diligence, and “you have a recipe for success”. When asked, "If you had to pick one characteristic that sets you apart or enables you to start a business, what would that one characteristic be?"

> "Diligence, being an entrepreneur and starting a business, you have to stay at the grind, because, usually at the beginning, things are rough and you have to do a lot of things yourself and spend a lot of time away from the family. You just have to be there for the business. It takes a lot of diligence to just stay there and stay the course and make sure the business is successful. Diligence comes into play in numerous areas in starting a business from having the diligence to pursue the idea, to obtaining financing, to carrying out the business plans, and all phases of the start up, they all require diligence".

Asked whether anyone can be an entrepreneur given the right opportunities and is willing to act on those opportunities, he had the following observation:

> "I disagree with that. You have to have, I believe, a passion for it. I think that when people are just given the business and walk upon an opportunity, if they don't have the passion or the diligence to stay there when nobody else is willing to work, then it's not going to work. I don't personally think that an entrepreneur has to be extremely smart to succeed, but it helps, but I don't think you have to be overly smart. It helps to be smart, but you don't have to be brilliant. I’m living proof of that".

According to his employees, and based on observations of his various businesses, it is very clear he is an extremely intelligent individual with an ability that sets him apart from his competition and his peers in the aviation business. All of his aircraft are relatively new, his equipment contains state-of-the-art avionics, all of the latest innovations in flight school operations are incorporated as they are unveiled, and the day-to-day operations of his businesses are managed in a very professional manner.

Entrepreneur A prefers to do things "his way" and he is very proud of his ability to prove others wrong when they tell him he cannot be successful at something. This belief is what he considers has set him apart in the aviation business, and, as he puts it, it infuriates him when negativity occurs.

> "If someone tells me that I cannot do something, I say to them, 'get out of the way and watch'. The idea that someone would tell me that I am unable to perform, and I know that I can, it is infuriating."

This characteristic has also been observed by several of his present and former employees. Their observations reveal an individual who is obsessive about management and ensuring jobs are done correctly and to the appropriate standard, or as one employee described him "a control freak". This characteristic causes much consternation for his employees in that no matter what the task, or how small the task may be, Entrepreneur A has a better way of accomplishing the undertaking, or simply prefers to do the work himself. This trait has caused some disaffection among his employees, some of whom have sought employment elsewhere.

Entrepreneur A is also good at opportunity recognition; constantly seeking new possibilities for additional businesses. His opportunity-recognition abilities are revealed when one explores the various businesses that are now in his portfolio. Starting out with a 1973 Cessna 150L, single engine airplane which he purchased for $5,500, he built his aviation flight school and expanded his holdings to take advantage of opportunities as they presented themselves. This alone shows his ability at opportunity recognition. However, when one analyzes his accomplishments, it must not be overlooked that one of his four businesses has ended in failure. As it was stated previously, he takes complete responsibility for the failure and the fact he failed to properly investigate the insurance firm, thus contributing to the failure.

> "Rarely does a day go by that I am not thinking about what I can do to enhance my businesses by expanding into additional aviation businesses. Opportunity recognition could be one of the most important characteristics since opening new businesses is what sets an entrepreneur apart."

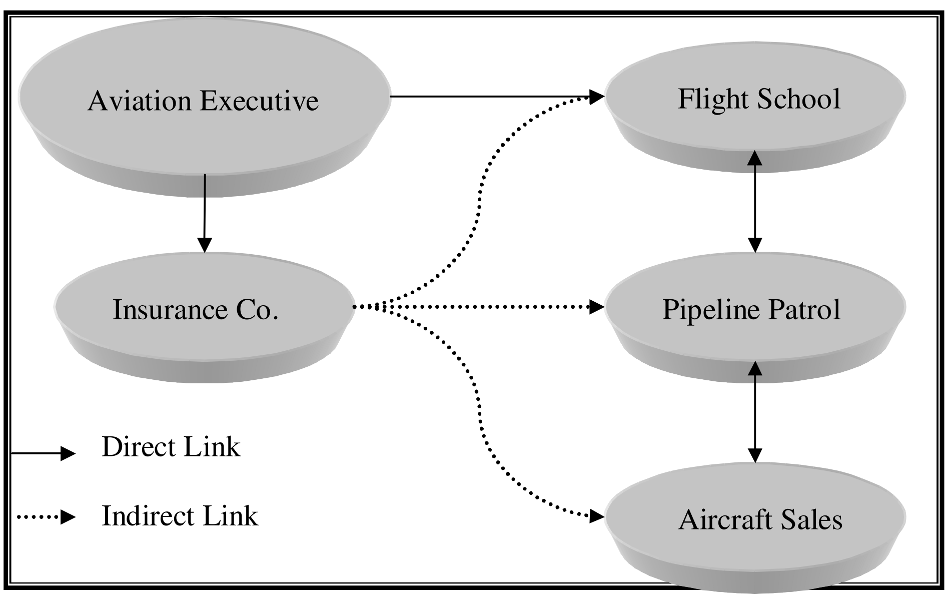
Entrepreneur A also believed he possesses other entrepreneurial qualities, such as a high need for achievement, independence, and autonomy, and, in addition, he considers himself a risk taker who is willing to accept the consequences of his decisions, be it positive or negative. He enjoys exploiting opportunities he finds, and has, up to this date, retained all of his existing businesses while going about opening new ventures. He is, according to his own admissions and the input from others, a self-confident individual who exhibits great discipline and always accomplishes his tasks with great energy and commitment.

6.2.4 Motivations for multiple ownership and the relationship between the portfolio enterprises

Entrepreneur A began his business career with one small aviation flight school, and began expanding his business portfolio as the need and opportunity arose. His second firm was an aviation pipeline patrol firm which linked directly with his existing enterprise. The connection between these two businesses was palpable in that both were directly tied to aviation utilizing single engine aircraft. By starting the second business, he was able to provide employment to skilled pilots who were graduating from his flight school, and aircraft that had been sitting idle during ground school exercises were now flying daily. The new business enabled Entrepreneur A to expand his flight school business since the aircraft could be kept busy more hours during the day flying patrol, yet were available when needed for flight training exercises. An ever-increasing number of aircraft were being utilized at these two firms, and the entrepreneur found himself becoming more involved in purchasing newer aircraft and selling existing equipment. This led to the creation of his third business, an aircraft sales firm. There were several motivating factors that contributed to this new firm's development, but the primary reason was the requirement that high-quality equipment be on hand at all times. One issue that causes rapid turnover of equipment, in the aviation business, is the life of a single engine aircraft. At 2000 hours of flight time, a complete engine overhaul must be carried out, as well as a comprehensive airframe inspection. The cost of overhauling the engines can exceed $20,000, and it is for this reason aircraft are sometimes sold prior to reaching the 2000 hour limit. This maximum is attained in a short amount of time when the aircraft is extremely busy and flying eight to ten hours per day.

Entrepreneur A was now the owner and operator of three aviation related firms. In an effort to curb expenses, and at the behest of others in the aviation business, he was drawn to opening an insurance business that would allow him to insure his aircraft and avoid paying additional fees to an outside insurance agent. He was successful in his search for a suitable insurance firm. With little training, and no outside assistance from his peers or advisers, his insurance firm came into being. He was now the owner of four aviation related businesses; however, within one year, the insurance business would discontinue operations, and Entrepreneur A would return to owning three firms, all directly involved only in aviation.

Table 6.3 - Graphic depiction of the relationships existing among the businesses owned by Entrepreneur A



6.2.5 Recap

The failure of the insurance business would have been a reason for a non-portfolio entrepreneur to stop any further entrepreneurial efforts, but, in this case, and for this portfolio entrepreneur, it was a powerful learning experience, one which will surely enable this entrepreneur to succeed in the future. This is similar to the findings by Stokes and Blackburn (2002) when 69% of entrepreneurs investigated stated their ownership of a firm that failed was a positive learning experience for them.

Like the entrepreneurs in Stokes et al study, this failure did not seem to be recognized as a failure by the entrepreneur but more as a learning experience, one which will enable him in the future to make better and more precise decisions concerning his current firms as well as any future businesses he will open. This reasoning is similar to the findings by Shepherd (2003) which outlines the process of "restoration orientation" and indicates when a person uses this process, they are seeking the causes of stress instead of being disturbed with the actual loss. This interpretation of his experience of failure is possibly influenced by the fact he was able to close the business without significant financial loss, and the business was subsequently taken over which enabled the employees to avoid being harmed. His outlook on failure is certainly unique, and it seems he welcomes the failure as possibly a challenge that will test his ability in building new businesses. Failure for this entrepreneur was a learning experience which is almost as important as success, according to Entrepreneur A.

6.3 Case study two: Entrepreneur B -- Tourism

6.3.1 Introduction

Entrepreneur B is a 59 year old male who owns and operates businesses in the tourism industry. Currently, he is the owner and operator of two motels in a rapidly growing city in the southeastern United States, yet has experienced failure in several other businesses. He has owned as many as six businesses at one time. In total, he has owned three motels, three liquor stores, two convenience stores, a game room, an equipment rental firm, and several rental properties. The failures that occurred for this entrepreneur consisted of various liquor stores and the convenience stores. The geographical area in which Entrepreneur B owns his businesses is considered a tourist destination; therefore, the firms he had in his portfolio, even though they seem dissimilar, were actually interrelated in that almost all were associated with the tourist industry.

> "I have to say that the common thread that existed between all of my businesses was that I worked ninety-nine percent of the time with tourists".

6.3.2 Biographical account

Startup

High school was a pivotal point in Entrepreneur B's early years. As he described himself, he was a happy-go-lucky young man who worked hard at maintaining that persona. He was not an exceptional student but was always willing to work full-time while in school. His favorite job was with a local ambulance service which allowed him to drive with the siren on breaking speed laws everywhere he went. In his spare time he "hung out at one of the local pool halls". In spite of his lack of educational ambitions, he was able to graduate from high school and started college on probation. It was at this time in his life he decided changes must occur and within two semesters he was off probation and became a model student.

Entrepreneur B received a bachelor's degree in marketing and business administration and was soon hired as a manager with one of the major United States telecom businesses. He was destined to become a top level executive for the firm and in 1973 the firm offered him a significant promotion which would have required him to relocate. It was at this time his entrepreneurial career began as he decided to refuse their offer and return to his hometown. One morning soon after arriving home, Entrepreneur B saw a classified advertisement in the Sunday newspaper for a small 15 unit motel. In order to purchase the motel, he proffered a $5,000 check as a down payment, in spite of the fact he only had a few hundred dollars in his account.

It was from this nascent beginning he ended up owning many successful enterprises, and the following statement relates to his initial entrepreneurial venture:

> "We immediately set about adding an additional 45 units and changed the name, and the rest is history. It has proven to be a sound investment and is the center of my whole investment portfolio."

Some of his businesses were started as new-found firms by Entrepreneur B while other established firms were purchased. Regardless of how they originated, each was begun with the idea of making money and providing a good life for his family. One of his early ventures involved a defunct restaurant, which he converted into a convenience store. Soon after this enterprise opened, he embarked on opening and purchasing numerous firms around the area. Another of his firms was an equipment rental operation. This was the only firm of its type in the community, and with a rapidly expanding local economy, it was highly successful. As was his technique, each of his firms was built with a long-term focus and an outlook that he would be successful. He had the following to say:

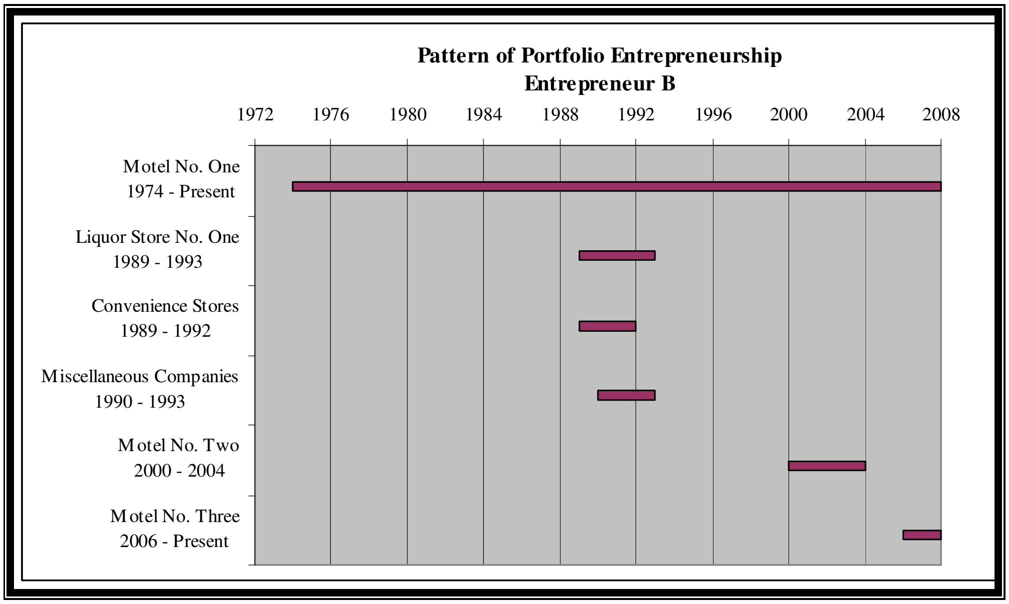
> "I didn't try to find something that would work for me for a year, I tried to figure out where we would be 5, 10, 20 years down the line. I guess that these long-term visions that I forced myself to have controlled the amount of risk I was willing to take, and my opportunity recognition went right along with my risk aversion…I have to say that over 90% of my ability to be an entrepreneur came from the 'school of hard knocks'….Everything that happens in all of the businesses happens because of how I originally set up the business based on my knowledge at that time."

This outlook has served him well as his business career has set him apart from many of his peers in his ability to own and operate small businesses. He went on to own numerous firms, but has divested himself of everything except his motels. He is currently the owner of two motels, one of which is associated with a major lodging chain. Plans are underway to expand the franchised motel into other markets around the Southeast. One of his most satisfying accomplishments is that he now has the opportunity to work on a daily basis with his two sons who are overseeing the day-to-day operations of the motels. This allows him time to seek new opportunities and to travel with his wife, as time permits.

Table 6.4 - Important events in the entrepreneurial career of Entrepreneur B

Entrepreneur B – Timeline		
1973	Resigned from a major U.S. telecom firm	Started his first firm, a motel he found for sale in the local newspaper
1974	Added an additional 45 units to the motel and changed the name	
1975	Hurricane Eloise destroyed his motel and it was rebuilt	
1989	Began building his portfolio of businesses. First was a liquor store followed by various retail outlets	
1990	Additional businesses were added to the portfolio	
1992	First failure occurred in a retail convenience store	
1993	All businesses outside of the motel had ceased operation	
1995	Hurricane Opal struck and destroyed his motel a second time. It was rebuilt	
2000	Purchased a second motel	Brought sons into the business
2004	Sold the motel he purchased in 2000	
2006	Purchased land and built a third motel	
2008	He is still operating his two motels with help from his family and is in the planning stages of building several additional inns	

Table 6.5 - Timeline



The firm failure

Like so many other portfolio entrepreneurs, Entrepreneur B has experienced failure. He was candid about his failures and had the following to say:

> "I have had a couple of businesses that were total flops. Probably it's as much my fault as it was the businesses fault, but what that made me do was to stay focused and to keep my arms around the businesses and pay attention to my businesses and not pay someone else to do it. I found that I could not rely on somebody else to take care of my business…I believe that the first major problem was management style, or lack of management. I turned these businesses over to someone else who only saw money coming in and did not see the money going out…the only thing I could have done differently would have been to personally be at every one of the businesses every day, and that was impossible."

Entrepreneur B had a plan for rapid growth, but there were several fundamental mistakes in his plan. The first mistake was attempting to get rich by opening numerous small ventures without proper resources. These include funding, employees, and well developed managerial strategies. The second mistake was attempting to oversee six businesses alone. His wife operated the motel, and he shared his time between all of the ventures. The third mistake was there were numerous small failure events occurring each day, which he failed to recognize. He chose instead to say they were insignificant. In hindsight, he recognizes his employees were stealing both inventory and cash; there were problems with inventory, such as over ordering, and even worse, running out of product. He is quick to state he simply failed to recognize the problems when they began. As time passed, he chose to ignore the problems and, as he states it, finally quit trying. He was not mentally prepared to manage an operation of this magnitude.

> "I didn't learn very quickly, the small failures can multiply themselves very quickly and become a devastating effect on the business".

He was aware trouble was looming for his firms and in an attempt to rescue the businesses and stop the thievery, an assistant was hired. Each day the supervisors from the various businesses were required to bring their daily receipts into the office where Entrepreneur B's assistant would prepare the bank deposits and verify cash register records.

> "One of the big problems that arose during the high season was that our employees saw these tremendous amounts of money coming in, sometimes $30,000 a day, but they did not see the bills for the $20,000 of gasoline that was sold that day. They assumed that the entire $30,000 was mine and they could help themselves to just a bit of it".

This plan to salvage firms was fruitless and it became inevitable to Entrepreneur B in order to protect his main asset, the motel, he must divest himself of these outside businesses. The most devastating of these failures was one in which he actually paid a purchaser to take a property.

> "One of the businesses was a combination convenience store and liquor store located on one piece of property. I did have to fund it out of the motel and at the point when I sold it, I added to my mortgage at

> the motel to go to the closing table so I could get rid of it, so I could get someone to take it. I just needed to get rid of it and I realized that even if it cost me money, it had to go. I had to stop the bleeding."

Overall, the sales of the liquor stores and convenience stores were not remarkable or agonizing to him. His comments are as follows:

> "I took a loss on one [convenience store] and made a profit on the other one [convenience store] which offset the loss, so I basically broke even on them. I guess you could call it a wash. The two other liquor stores, one of them probably lost a bit of money, the other one lost a lot of money, but what it did do, it made me realize how I needed to run the one liquor store I had left. It was a very successful store and continued to be up until the day I sold it. I sold it only because the guy had more money than he had sense. What I did, I stayed very focused on it, I was in and out of there everyday. I'd go to the motel and back to the liquor store".

The long-term effect of these failures held little or no significance for Entrepreneur B or the other businesses he owned.

> "I knew that something had to change; I had a lot of responsibility with my other companies, and the only solution that I could see, and a solution I knew had to happen, was to sell, take my losses and move on. If anything, after I sold them, I had less stress in my life, and it allowed me more time to concentrate on my successful businesses. I don't really see selling the businesses as a failure; I just see it as doing business as usual. As I told you earlier, in business you have to wrap your arms around the business and make sure that it's successful, and if it's not, divest yourself of it and move on. Sometimes decisions like this can be very costly, but you just make the best of it and go on".

The following quote sums up his outlook on failure:

> "I do not see failure as being an end to my success; I see it more as an every day part of doing business. You cannot continue to do an

activity, such as opening a business, over and over and not expect to have something happen. Eventually, even if you are playing chess, eventually you're going to lose. Should that be the end of the world? No. I believe that in order to have success, you must have a failure…failure is probably as big a part of it [the learning curve] as success is".

6.3.3 Perceived entrepreneurial characteristics of Entrepreneur B

According to Entrepreneur B, an entrepreneur is an extremely complex individual whose main task is opportunity recognition, one who is not afraid of risk and has a high need for achievement. Entrepreneurs are not born; it is a characteristic that can be learned. In addition, he points out entrepreneurs must be able to learn from their mistakes, and he believes an entrepreneur does not have to be "book smart", but they have to have intelligence. Anything less than these characteristics and a business owner cannot be successful.

Opportunity recognition is what he believes has set him apart from his peers in his many years as an entrepreneur and has enabled him to put together the firms he has owned. At times in his career, he has been handed opportunities such as his equipment rental business. Several contractors approached Entrepreneur B and inquired as to his ability to provide this service. Other times, he created his own opportunities by searching foreclosure sales, tax sales, and bankruptcy notices. He avoided searching for commercial properties for sale, but dedicated himself to recognizing opportunities others may overlook, obtaining these at reduced prices. He has maintained an extraordinary work ethic as it pertains to opportunity recognition. As a young man, because of his work ethics, he considered himself a visionary. Based on his number of businesses owned and the success he has enjoyed, it is obvious Entrepreneur B truly possesses the ability of opportunity recognition.

Following opportunity recognition, Entrepreneur B has the ability to tolerate risk. Over the years, he has experienced numerous failures, and perhaps due to some of those failures, he expresses the following about risk and, more importantly, risk aversion:

> "I think that an entrepreneur is a risk taker; however, the more involved you get, it's like a roll of the dice. I think he [the entrepreneur] would rather roll the dice and take a chance on winning, a high chance of winning $50 than to roll the dice and have a smaller chance of winning $1000. The risk goes with the end results. I guess I might say that my experience through the years has made me more risk-averse. There was a time in my life when everyone I knew was young and stupid and not afraid to take any kind of chance. I was invincible and could do anything. All of the local businessmen felt that no one could do the job better than they could."

He no longer would consider taking some of the risks he undertook in the past, such as utilizing his home as collateral for a business venture, something he would have done without a second thought. He speaks of his many friends who would have no hesitation cross collateralizing their businesses, or any other asset the bank would consider as security. This aversion to using specific resources for collateral is not to say he is backing away from future ventures but only a strategy he uses to protect his home and important assets as he grows older.

Another characteristic is a high need for achievement. This entrepreneur has spent much of his time trying to be a success, both in the business world and in his private life. He has succeeded in both of these arenas. Beside his business acumen, Entrepreneur B has served his community as a volunteer in numerous capacities as well as serving as an elected public official. He is adamant about his public service and credits his family with "picking up the slack" while he was performing his civic duties. In addition to these activities, he found time to serve on the board of directors of one of the major banks in his area. He recognizes his good providence of being able to serve on the board of directors. This position aids in keeping him aware of any variations in the economy of his hometown and also allows him special access to his fellow entrepreneurs.

The fourth important characteristic for Entrepreneur B is his ability to learn from his mistakes. A nascent entrepreneur would possibly consider discontinuing any further entrepreneurial challenges when a failure occurs, but Entrepreneur B has always accepted mistakes as a challenge to move forward and try to excel using the knowledge he gained from his errors. In fact, he is so moved by learning from failure he states, "Learning from mistakes could be the main thing that sets entrepreneurs apart [from others]".

A quote from Entrepreneur B best expresses his thoughts on whether or not an individual is born an entrepreneur or whether it is something a person can learn:

> "I think an entrepreneur can be a self-taught, a self-made individual who can be trained or teaches themselves to be successful. There are a lot of people who are born in an entrepreneurial world who can't make it at all in business because their family owned the businesses, they were thrown into it, and as a result they are failures….I think there may be a gene that one is born with that might point you in the right direction towards being an entrepreneur, but when it comes time to prove yourself, it takes guts, hard work, and intelligence. When somebody is born into a family of entrepreneurs, they do not have the ability to say, 'I'm an entrepreneur I was born into this family and I'm going to be successful, I'm going to be wealthy', I don't think so".

His employees and his sons have described him as being an honest, hard-working, family-oriented individual who has always labored diligently at being successful. In addition, they state he takes nothing for granted and endeavors to determine the best route his firms should follow. Oftentimes, he shows a streak of independence due to his need for autonomy, yet according to his sons, whenever a task must be accomplished, he does so with great energy and a commitment to success.

6.3.4 Motivations for multiple ownership and the relationship between the portfolio enterprises

Entrepreneur B had one primary motivation for building numerous businesses. This, according to him, was his high need for achievement that allowed him to know he had created something new and successful. Building his portfolio of businesses and watching them flourish was exciting and highly rewarding for this entrepreneur. His first entrepreneurial venture was his 15 unit motel, which was operational only during the tourist season. With ample time and latitude in the off-season, he began searching for opportunities that would fulfill his penchant for success. He did not build his additional businesses as an ancillary to his existing motel, but to fulfill and expand his entrepreneurial career. His original motel did not add to the viability of these new businesses, but it allowed him the necessary leverage to be able to expand both through the ability to borrow money and the credibility that is often lacking in new entrepreneurs. He states, "The motel served as a catalyst for everything but did not need any other businesses to help it out".

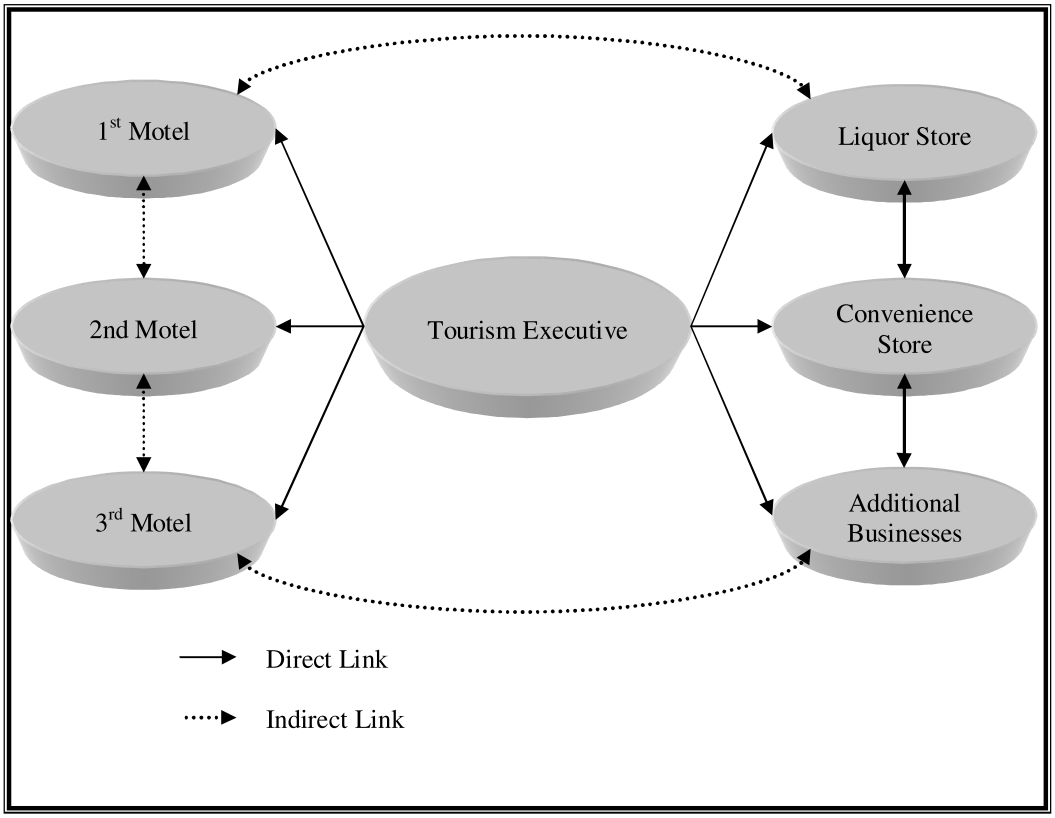
According to Entrepreneur B's sons, his motivation for multiple-ownership is partly driven by the process of opening businesses, in itself, as it serves as a motivation for him. When he is actively pursuing a new venture and working daily to fine tune the operation, he is working at his finest. Employees noticed this each time he began developing a new business. It was his participation in the new business, as well as his influence, that made each of his businesses operational. In spite of the fact there was not a financial payoff from each of the businesses, there was still success for Entrepreneur B.

The relationship that existed between all of the businesses was based on the entrepreneur himself, and they were linked by tourism. During the off-season his motel was closed, and there was no revenue stream; therefore, a need for income manifested itself. This tourism link should not be construed to imply that only tourist patronized his liquor stores and convenience stores, as these were also popular with the local residents. One must remember the reason for building new businesses according to Entrepreneur B was to make money; however, he indicated his own need for achievement overshadowed any other reason. The equipment rental business he started was not directly linked to tourism but was built in order to assist in the construction industry in the area. Since most of the construction was on motels and other tourist related businesses, the rental equipment firm created a secondary effect which assisted in an overall expansion of the tourist friendly area. In addition to this equipment rental business, he owned a video rental store. This store was built in order to produce year-round revenue and to provide a needed service for the tourist industry. When this firm was originally begun, motels did not offer in-room movies and only basic cable was available. He saw a need for the tourist industry and for locals alike that would allow them to rent movies and enjoy them in their motel room or at home.

Entrepreneur B did not consider his businesses as a cluster since each one was built to stand alone and produce revenue. There were some ties between the firms, such as bulk ordering or sharing merchandise, but basically each unit had the responsibility of making a success of itself. Entrepreneur B said the following about the links between his firms:

> "They were not totally dependent on one another for success. My liquor stores and my convenience stores and all the others were fairly independent. They did depend on tourism as a common link, but they were not dependent on one another for sales or for providing merchandise for inventory."

Table 6.6 - Graphic depiction of the relationships existing among the businesses owned by Entrepreneur B



6.3.5 Recap

Entrepreneur B has proven himself through the years as a highly trained and professional entrepreneur, who has succeeded in spite of several failures within his portfolio. He has not allowed these failures to negatively affect him or his other firms in any way. He has taken these failures as a learning experience in an attempt to not make the same mistake a second time. At this point in his life, he is enjoying his entrepreneurial career more than any other time with the inclusion of his two sons in his organization. Great efforts on his part have been made to instill in these young men the learning experiences he obtained from the failures of his liquor stores and convenience stores. Even though they were sold, the businesses are still considered failures and he, before anyone else, will admit to this fact. He will not let these past disappointments stand in his way in the future. He has an aggressive plan and strategy that will allow him to continue in his entrepreneurial efforts, and with the help of his sons, he will continue to be a great success and guide for other young entrepreneurs.

6.4 Case study three Entrepreneur C -- Service Industry

6.4.1 Introduction

The entrepreneur highlighted in this case study is an African American female who resides in one of the largest industrial cities in the Northeastern part of the United States. She has been an entrepreneur since July 1, 1994, a date she says was critical in her life. This was the day she fulfilled a lifelong dream of owning her own business and answering only to herself.

> "As far back as I can remember, I had a burning desire to make my own decisions and to have the ability to stand by whatever that decision was".

Since that day in 1994, she has owned seven businesses concurrently and presently has four active firms, and two she classifies as inactive. Most of her firms have been service firms. She has been able to overcome both racial and gender boundaries, and, in spite of all odds, she has been extremely successful. When asked what prompted her to work for herself, she stated, "Working for fools is what prompted me to want to own my own businesses". This, of course, was said humorously but also contained a ring of honesty.

Currently, she is the owner of a retail dress shop specializing in high-end designer fashions that include the knit line of St. John clothing, as well as Chanel and Escada. These three lines enable Entrepreneur C to maintain a very select market of wealthy patrons who are able to pay top dollar for these fashions. In addition, she owns a retail consignment shop operated by her mother catering to individuals unable to pay the high prices at her St. John's shop. These two businesses are run separately, with her upscale operation taking her from city to city around the United States. Her third firm is a luggage cart concession that operates in airports around America. She has owned and operated this airport business since 2000 and is continuing to open additional concessions as they become available. As of July 1, 2007, she was able to open a new cart business in another major U.S. airport, a great achievement, as she puts it. She also has begun consulting others about the luggage cart business and is planning to turn this consulting project into a moneymaking venture. Her final business is a human resource, business development, and consulting firm. This enterprise affords her the opportunity to go on public speaking tours and earn presentation fees, addressing groups about obtaining the maximum from their human resources.

Entrepreneur C has been written up in numerous national publications, highlighted as the 2003 honoree at the Women in Leadership in the Workplace conference hosted by the Michigan Business and Professional Association. She is a past president of the National Association of Women Business Owners (in her city), served on the international board of The National Association of Women Business Owners, was the focus of an article in an edition of Essence magazine, and was one of the subjects in a book by Jennifer Openshaw. Openshaw is an author and expert appearing on some of America's most watched television shows, such as Dr. Phil, Good Morning America, and The Oprah Winfrey Show. Entrepreneur C was highlighted as an entrepreneurial expert in Openshaw's book, *The Millionaire Zone*, which was published in April 2007. In early 2008, she was appointed an International World Vice-President of an international network of women business owners and since that time, has traveled extensively worldwide meeting with various dignitaries to promote women business ownership. In spite of success, she still maintains her greatest achievement in her life is raising four children as a single mother, all while achieving her entrepreneurial dreams.

6.4.2 Biographical account

Startup

Entrepreneur C came from very humble beginnings. With hard work and diligence, she was able to attend college, ultimately ending up only a few hours short of an MBA degree. She did not allow the failure of obtaining her master's degree to stand in her way as she became the Director of Human Resources for the largest engineering firm in the world. She married a wealthy individual who served in an official capacity for the Clinton White House and began raising a family. In spite of working as a Director of Human Resources, a turn of events at the firm and her heart led her to ultimately become an entrepreneur. The engineering firm was replacing the president for the fourth time in three years, "due to issues". It was this fourth change that prompted Entrepreneur C to make the decision to go on her own. She did not go away quietly, but instead recognized an opportunity to leave the firm with what she referred to as taking a golden handshake situation by resigning. At the same time she became an advocate for the firm as a human resource consultant. She states:

> "This way I can do the same thing that I've been doing for the past three years for them and get paid very well while I did the work, except that I was working for myself instead of a company. So this is how I got into my first business in 1994. We signed the contract for three years, and I walked away with a new business".

The consulting business has been very advantageous to Entrepreneur C. Now able to work on her own schedule, she could go into the firm and fulfill the duties expected of her with minimal supervision or harassment. The arrangement allowed her to mediate problems, train new employees in soft skills such as sexual harassment, diversity, team building, and whatever else she felt that particular employee needed, and bill the firm for her services. Within two years she realized billing on an as needed basis was not as lucrative as it would have been to receive a retainer; therefore, she renegotiated her contract and was able to begin working with a constant income flow. This renegotiation resulted in doubling the salary she received as an employee of the firm and, also, allowed her the time she needed to build additional firms and pursue her dream of opening the St. John's Company.

Business opportunities began to come her way, perhaps due to the concept outlined in the corridor principle (Ronstadt, 1988). As she put it:

> "It seemed like every time I turned around, a new opportunity was handed to me. My kids were at home, and I had time to spare, so I decided I might as well invest in these various things that would make me some money".

One of the first opportunities she seized upon was starting her consignment shop. This was the result of her inability to purchase a dress for her daughter. It was too expensive. A week or so later, a friend came by and showed her the exact dress she had purchased at a consignment shop for a fraction of the original cost. This intensified her feelings of not being able to purchase her own daughter the dress, and she decided at that moment to open a consignment or resale shop, as she calls it. Immediately this business was successful, and as a result of learning the customer base, she ultimately determined that an upscale dress shop was needed for the more wealthy clients. This decision led to the opening of her St. John's Company and the development of her social network of clients.

Always on the lookout for new opportunities to make money, several other firms soon followed: a valet parking service, the aforementioned airport cart service, a public speaking service, in which she motivates employees at major corporations to better perform their job, a human resource staffing firm, and, finally, a municipal snow removal firm. The first of these firms that was discussed was the human resource staffing business. It was pointed out this firm operates under a completely different format than the firm that came about from her employment with the engineering firm. This staffing firm provides temporary employees to firms and affords them the ability to turn the staffing arrangement from a temporary to a permanent position for the employee. She offers either temps or full time, depending on what her client desires. The snow removal business and the valet parking service were the result of her discovering an opportunity that was not being filled. Once again, a need was discovered by Entrepreneur C that she recognized as a golden opportunity, parking cars for wealthy clients. Her firm employed only females as parking attendants and her services were available for any type of special event. The city from which she hails is very dependent on the automotive industry, and as such, she says:

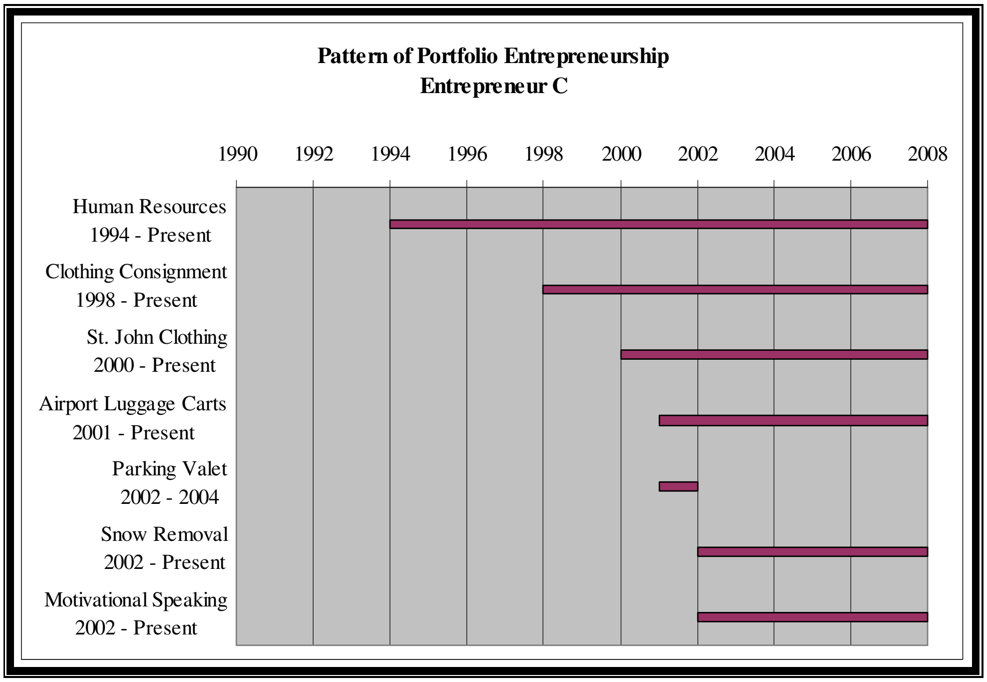
> "Providing services for someone's automobile is very important to everyone in town. Every business in town and every event that occurs offers valet parking, and I was there to fill a much-needed service".

It is this valet parking service that has been her one failure in her entrepreneurial career, and it is apparent she believes strongly about the closure of this firm, trying hard to avoid using the word failure. In fact, she goes so far as to point out it has not failed; it has only ceased operations for the current time.

Table 6.7 - Important events in the entrepreneurial career of Entrepreneur C

Entrepreneur C - Timeline		
Prior to 1994	Worked in private industry	
1994	Started first business, a human resources firm	
1998	Clothing consignment shop started	
2000	St. John clothing store began operation	
2001	Started her airport luggage cart business. It has expanded each year since this time	
2002	Began operating the parking valet business	Started motivational speaking organization and snow removal firm
2004	The parking valet business firm failed	
2007	Continues to watch for additional opportunities and operates her six remaining firms	
2008	Mentioned in a New York Times article on March 26, 2008	

Table 6.8 – Timeline



The firm failure

Entrepreneur C experienced a failure of her valet parking business; however, when challenged with this fact, she had the following to say:

> "I need to dispute that thought of failure. No one would say that this was a failure. I still have people calling me wanting me to provide parking services for their functions. I don't see this, ceasing operations, as a failure, but to call it a failure is not proper. I simply closed the doors because I did not have the time to devote to it".

Following a lively discussion of failure, Entrepreneur C gave her definition of a failure.

> "You didn't get out of it in time. If a person shut the doors on the business and it cost you money to do so, then that's a failure. Closing Lady Valet Parking cost me nothing, so I don't consider it a failure. It didn't cost me anything to stop operations; I didn't owe anything, so I didn't fail... Apparently we do not agree on the definition. Based on

> my definition, I've never had a failure. Failure to me doesn't exist in my experience. I don't even like that word failure".

After establishing a definition of failure she could agree with, and determining failure did, in fact, exist, the discussion segued to whether or not failure was always a negative event. Entrepreneur C was quick to interject her failure experience with her valet parking business was not a negative event. She lost no money, retained all of the resources, and the business is still waiting on her decision to reestablish the day-to-day operations. She goes on to say:

> "If anything, it was a positive event because it freed me to do other things and not necessarily just worry about making sure things were going right there".

When asked whether or not a closure could be a negative event, Entrepreneur C stated, at times, some failures must be negative, but she would not be involved in one that appeared to be going towards the negative. Her solution to a potential negative event is figuring out a way to ensure the event ended positive. When asked what the effect of the closure of the parking firm had on her and the employees, it was disclosed it did not make her happy to close down the business, but she felt it was time for it to close, and there have been no long-term effects on her as a result of this failure. The employees were transferred to other businesses owned by Entrepreneur C and all of them are, according to Entrepreneur C, "doing fine". It is her opinion that the employees were not thrilled at the thought of losing their jobs, but each understood in this type of business, work is always uncertain, and none of them have any long-term effects from losing their jobs at that particular firm.

The number one cause of failure according to Entrepreneur C is a lack of focus on the part of the manager or the entrepreneur. This lack of focus includes a failure to dedicate resources where needed within the firm; this includes both human resources as well as capital resources. An analogy was provided by Entrepreneur C that she felt explained the need for focus within a firm.

> "I think that in business, owners sometimes are like the dog that looks into the river and sees his own reflection standing there with a bone in his mouth, and he drops the bone that he's holding in order to jump into the river because the one in the river looks bigger than the one he's holding, and as a result he drowns."

She equates this to mean entrepreneurs must stay alert and focused at all times and pay close attention to what is going on around them, in lieu of being concerned about what others are doing outside their enterprise. As she says, "the grass is not greener on the other side of the fence".

As with many other entrepreneurs, Entrepreneur C knows her firms are all closely tied to her, and if adversity struck her, the firms would be affected negatively. She was quick to point out any unfavorable occurrence in firms controlled by her would only stimulate her to action, creating new firms and expanding existing ones.

6.4.3 Perceived entrepreneurial characteristics of Entrepreneur C

Entrepreneurs have long been known for their ability to recognize opportunities and for many this is one of their definitive characteristics. Baron (2006) outlined three characteristics of opportunity recognition. The first, entrepreneurs engage in active searches for opportunities, second, there is a certain amount of entrepreneurial alertness for opportunities, and third, entrepreneurs have a prior knowledge of their industry and in the markets in which they participate. Four of the entrepreneurs in this study agreed with this definition, but when this statement was presented to Entrepreneur C for her own opinion, a rather unanticipated answer was given:

> "I think being prepared to take advantage of an opportunity is more important than seeing an opportunity. You need to be ready to jump when an opportunity comes along, and if an entrepreneur is not ready to jump, the opportunities will pass them by".

She pointed out it is still very important to recognize opportunity, but more important to seize it. This rather unorthodox approach is commonplace throughout the analysis of this entrepreneur. The following quote came when queried concerning her thoughts on the best time for an entrepreneur to start a new business:

> "My answer to this is, it's sort of like when someone says, I wonder if this is a good time to have a baby; there is never a good time to have a baby or to go into business; you just have to do it. You cannot throw a dart and find the opportune time to open; you just have to go with your instincts and your own ability to make the business successful. However, I do say that you can get as prepared as possible when you want to have a child or to open a business; you have to do your background preparation."

Honor and integrity play an important role in Entrepreneur C's everyday business life. Following a faith based course, she strongly believes with hard work, dedication, a never say die attitude, and spiritual strength, an entrepreneur can overcome any adversity and be successful in any business they decide to create. When Entrepreneur C sets out on a course of action, even if she is unsure of the direction the action should take, she will sit down and work through that problem. Once a decision is made, nothing will make her waiver; a woman with a very assertive nature. It was pointed out she seemed to possess an aggressive nature, and she had this to say:

> "I'm not afraid to tackle anything that comes along as long as I can make a buck. I take it as a compliment that you think I'm aggressive because that's exactly what I think it takes to succeed in business, especially if you are a female and an African-American female, at that".

Entrepreneur C firmly believes entrepreneurs are born. Now, this is not to say only people born as entrepreneurs will ever succeed. Her belief is people that are successful in business were born with a spark, as she calls it, which will eventually lead to success as an entrepreneur.

> "I don't think that you can teach someone to have the burning desire to be in business, but if they're born with just a spark of entrepreneurial

> spirit, it will grow and they will become successful, or at least they will become an entrepreneur".

There are several characteristics Entrepreneur C believes are imperative in the life and career of an entrepreneur. These include being a risk taker, a high need for achievement, great self-confidence, high levels of energy, commitment, an ability to determine the correct course of action a firm should take, establishing new and improved products and services, and finally, independence and autonomy. She possesses each of these attributes.

Entrepreneur C was not as adamant as others who consider past mistakes offer one of the greatest opportunities for entrepreneurs to grow. She believes past mistakes will make an entrepreneur more aware of potential problems the future may hold. She believes when she did make mistakes, she learned a great deal from them, but it was more focused on macro rather than micro mistakes she may have made. This is, in part, due to her belief that closing her firm was not a failure but more of a convenience to herself. She states she did learn from the experience but most of what she learned was she was not able to be in all places at all times.
Entrepreneur C's perception of what an entrepreneur is, evoked the following definition:

> "An entrepreneur is a person who has to make his money, and nobody else is going to help him but himself. If he doesn't make a sale, he doesn't eat, if he doesn't kill something, he doesn't eat. He eats what he kills. If he doesn't kill, he doesn't eat".

In addition to this description, Entrepreneur C is of the opinion it is imperative an entrepreneur possess a positive attitude. In doing so, the positives will always outweigh the negatives. However, she continues:

> "I don't believe that only positive things will happen if you fail to examine and be aware of the negatives. When negative things do happen, I think that most people, or at least people I know, have the ability to overcome those negative things. So, it really doesn't matter

> if things are positive or negative; either way, a true entrepreneur will come out ahead".

6.4.4 Motivations for multiple ownership and the relationship between the portfolio enterprises

> “Entrepreneurs are born with a spirit that does not allow them to sit back and let opportunities pass them by. I believe that if a person has a true entrepreneurial spirit, they will not let anything stand in their way of succeeding, even if it means having to build a new business from the ground up. I, for one, will never stop trying to be successful. I will probably go to my grave working.”

Entrepreneur C’s chief motivation for multiple ownership goes back to a desire to fulfill any opportunity she recognizes. This desire to start new businesses is a testament to her abilities when one considers today's business economy. Even though gender inequities are improving, business ownership is still not conducive to females. This is reiterated in a study from the United Kingdom in which the author’s state:

> "Business ownership continues to be unfavourable territory for women. Despite the popular perception that there has been a growth in the number of women business owners, a perception perhaps influenced by the range of public policy initiatives designed to increase female self-employment, there is little empirical evidence to support this view” (Wilson, Carter, Tagg, Shaw, & Lam, 2007, p. 154).

In spite of this fact, she continues to build businesses. The various businesses she has created are a demonstration of this component of her entrepreneurial spirit. The fact she is a female entrepreneur could have a bearing on her desire to excel where others would have failed, but she has proven she is willing and able to create any type of business as long as there is a need. It is this desire to create which drives her motivation for multiple business ownership. She does not necessarily have a burning desire to own numerous businesses, but to fulfill any prospect she sees. Her snow removal business and her valet parking firm are prime examples of this ambition. There was no connection between her existing firms and these two new firms other than Entrepreneur C herself. Each firm was built with the same enthusiasm as the rest of her portfolio, yet she is the only connection between any of them, and with her attitude, she will continue to build more businesses.

> "I possess a never say die attitude. It's like I'm going to be in it, to see any of my efforts to the bitter end and until they reach a logical conclusion. I am not one to give up easy. Everything has to be in my face, before I'll throw in the towel and say well maybe I need to change course here, or change direction, but basically when I set out on a course, even if I don't know what the hell I'm doing, I'll sit down and work through whatever it is that's going on and say to myself, this is the course I need to be on, and nothing can make me waver."

When questioned about whether any of her firms could be considered a spin off, she had the following to say:

> "I don't consider any of my companies as being spin-offs, per se, but the exception could possibly be the St. John's company that came into being as a result of my owning a consignment shop...The consignment shop was not the proper place to be selling upscale women's clothing, so I created the St. John's Company in order to give it the proper mystique that it needed. I guess you could say it was a spin-off".

Entrepreneur C states the relationship between all of her businesses is based on contacts, business contacts, as she refers to them. This network she has carefully crafted is, according to her, one of the reasons she has been so successful. She has the following to say about her contacts:

> "These are the connections that I have between all of my customers. All of the contacts that I have in my women's association are also contacts for my clothing stores also for my consulting business, and now I am attempting to tie those same contacts into making my airport cart business even bigger and more successful than it already

> is. I went to Philadelphia last week to check all my cart businesses there. While there, I was unable to make a connection with some of my St. John's customers who had a few friends over for a clothing show, and out of that I was able to get two of them interested in helping expand the cart business. I work it just like this."

This characteristic of Entrepreneur C aligns with studies from McGrath and MacMillan (2000) when they state entrepreneurs create networks in pursuit of opportunities, and also with Aldrich and Martinez (2001) who said networking is important to the entire entrepreneurial process. All of the entrepreneurs in this study mentioned networking but none utilize the process as does Entrepreneur C.

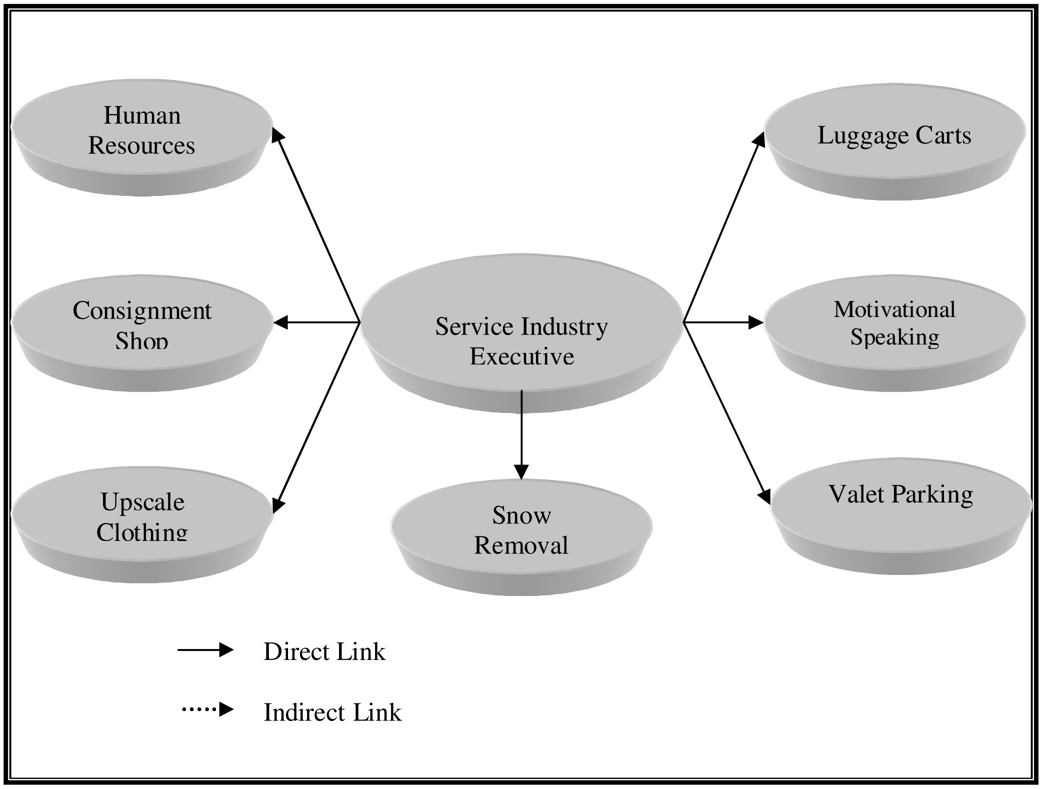
Her direct involvement in her operations prompts Entrepreneur C to be of the opinion if she were not in the day-to-day operations of the business, there would be no business. Each firm relies on her to oversee the venture.

> "I am the reason that my businesses exist and if I no longer am in the picture, there is no business. I don't know of anyone who would be able to lug all this merchandise around the country the way I do and enjoy it as much as I do".

In examining the relationships that exist between the various firms, one firm stands out as a dominant firm or, as she calls it, "the umbrella company". This firm, which she refers to as her professional service company, began as her human resource consulting firm. Since inception it has expanded into business development, mediation and any human resource difficulties or needs a customer firm may encounter.

> "I have been very fortunate that this company has been able to provide funding that was necessary for my other companies. I am able to pull funds from Professional Services and funnel them into others such as the cart business which did require a substantial investment."

Table 6.9 - Graphic depiction of the relationships existing among the businesses owned by Entrepreneur C



6.4.5 Recap

Overall, the information provided by Entrepreneur C was in line with much of the accepted literature on portfolio entrepreneurs; however, this extremely inimitable individual presented a glimpse of a totally self-made individual who sees the world in a way that will continue to set her apart as an entrepreneur. Failure is not in her vocabulary. "Success in everything that she does" is her only goal, and she will accept nothing less than the very best from herself and those around her. She is deeply rooted in her spirituality and runs her businesses in a way that allows those around her to become a part of her spirit-based enterprises. She is not afraid of obstacles that arise in her world, handling each one with an aplomb that makes them all seem insignificant.

This is one individual that does not understand the word "can't" and will not stop until she achieves every goal she has laid out for herself. The future of her businesses is tied closely to Entrepreneur C. She hopes to keep it that way in spite of bringing in a few more outsiders to help her with the day-to-day operations of her firms.

6.5 Case study four Entrepreneur D -- Service Firms and Inventor

6.5.1 Introduction

Entrepreneur D is a 46-year-old male who resides in the southeastern United States, and is currently the owner of two businesses, a closet installation service business that has proven to be successful, and a firm marketing a shaving gel which he invented and has promoted, albeit, unsuccessfully. During his entrepreneurial career, he has owned an automated car wash, a heavy equipment firm, a plumbing firm, and several other firms that promoted products he invented. His career as an entrepreneur has been plagued by numerous failures, some of which have even caused him to lose ownership of his home. The reasons for his failures are varied; some can be directly linked to the entrepreneur's own lack of attention to detail, while other problems were beyond his control. In light of his failures, the best way to describe this entrepreneur is resilient. Nothing has deterred him in his quest to succeed both as an entrepreneur and as an inventor, often risking everything his family owns to promote or market a product he has developed. Based on his own admission, Entrepreneur D is totally blind to risk, and when another opportunity arises which he anticipates will help him achieve success, he will again risk everything for that possibility.

6.5.2 Biographical account

Startup

One of the lifelong passions for Entrepreneur D has been as an inventor, beginning his career at the age of eight, when he invented a simple whiskey still. This early success fostered yearnings which ultimately lead him to a book by Napoleon Hill, Think and Grow Rich (1938), that taught the young entrepreneur "how to overcome his personal weaknesses and to seek out a high level of self-discipline". He made a decision that anything he attempted to accomplish in the future would be followed through to a successful completion. He had the following to say about his entrepreneurial endeavors:

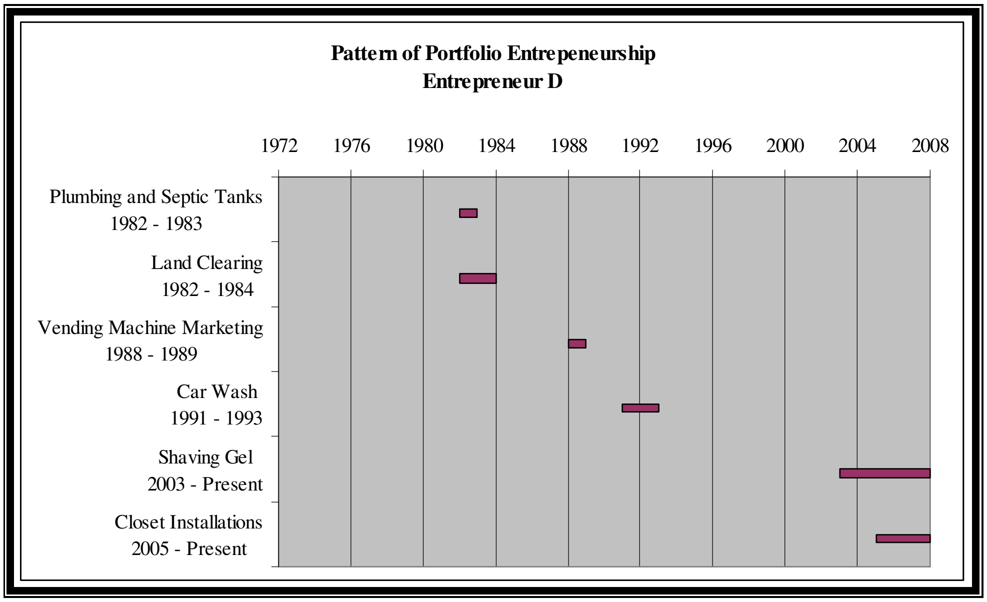
> "I have the ability to be an entrepreneur due to a lack of good sense [laughing]. The reason I say this is that most people go to school, graduate, try to find a job, and work for someone the rest of their life; this is considered good sense by most people. I did not do this that way. I inherited from my mom the ability to stick with whatever it is that I'm doing and I inherited from my dad the ability to take chances without fear. Nothing that I have done has been such that I would be scared away from taking entrepreneurial chances. I love starting businesses, almost as much as I like making money, but the thing that I take most pride in is my ability to stay with any new venture as long as it takes for me to either succeed or go busted. I am not afraid of failure, never have been, never will be. When you're broke your broke."

According to his father, Entrepreneur D was an exceptionally smart, hard-working young man. The father was the owner of a plumbing firm and Entrepreneur D worked every day with him while attending high school. As soon as he was old enough to drive, he began making house calls and performing jobs that were normally relegated to more experienced adult employees. He had a work ethic which set him apart from other employees and allowed him to advance quickly within his father's business. Trouble would soon occur for Entrepreneur D when he was told the plumbing firm had been sold and his services were no longer necessary. This setback in the life of this entrepreneur would be only the first of many. Disasters seemed to manifest themselves at many of the entrepreneurial activities attempted by Entrepreneur D.

Table 6.10 - Important events in the entrepreneurial career of Entrepreneur D

Entrepreneur D - Timeline		
1976	Began working with his father's plumbing firm	
Early 1982	Started his first business a septic tank firm	
Late 1982	Equipment stolen	Opened heavy equipment land clearing business with the equipment left from the theft
1984	Land clearing business closed due to traffic accident	
1988	Vending machine was invented and the product failed almost immediately	Marketing firm started to promote inventions
1991	Car wash was purchased	
1993	Car wash was sold	
1999	Shaving gel invented	
2003	Shaving gel project failed	Marketing firm still active
2005	Started his current firm, a closet installation business	
2008	Continues to invent new products and market them	Is working on franchising his closet firm. Currently two franchises have been sold, several more in the works

Table 6.11 – Timeline



The firm failure

Failure, according to Entrepreneur D, is simply a "stumbling block", even though it may take several years to overcome the event. All of his failures are referred to by him as temporary setbacks. His opinion is just because something did not work for him at the time it doesn't mean the issue is closed and he will never revisit in order to make it succeed. Most of the problems encountered by Entrepreneur D focused around his inability to remain attentive as the firms were attempting to "find their legs". He went on to state that most of his failures occurred during the introductory or developmental stages rather than in the maturity stages of the firm life cycle. Never one to second-guess himself, he prides himself in never looking back at his failures and wishing he had done something differently. He does not think risk was involved in any of his failures.

One of the first failures Entrepreneur D would face involved a lack of managerial function, an issue Entrepreneur D did not think affected him or his firms. Problems which arose in these failures included the theft of equipment, automotive accidents (with no insurance), corporate malfeasance (not his own), and other issues which he stated were beyond his control. The first included the theft of a dump truck and other equipment which he used to operate a septic tank firm. This event concerned a circus (yes, with elephants and lions) which came to his hometown and began operating in the lot adjacent to his equipment storage site. Admittedly, he did not take great care to secure his valuables, and when the circus left town, most everything he owned was gone. The police found his dump truck 300 miles away, but the rest of the stolen equipment vanished. With no theft insurance and no funds available to purchase new equipment, the firm was insolvent.

With the remainder of the equipment salvaged from the septic tank firm, Entrepreneur D was able to start a heavy equipment firm, which involved the use of bulldozers and tractors to clear vacant lots and prepare them for home construction. This firm was functioning satisfactorily, but would become the next failure to plague Entrepreneur D. As he was moving some of the equipment, he was involved in a traffic accident in which he failed to properly secure a piece of equipment. This equipment, used on the front of a bulldozer, is known as a root rake and weighs approximately 2000 pounds. As he drove away from a job, the rake fell from his trailer striking a bicyclist. Normally, this would not have been an occurrence that could destroy a business, but several weeks prior to this incident, he had opted to pay his taxes rather than purchase insurance. The result was a fatal mistake for his heavy equipment firm. Entrepreneur D personally paid all of the hospital expenses for the bicyclist by selling off the remaining assets in the firm.

Another failure experienced by Entrepreneur D involved a vending machine he had worked on for a number of years. This countertop machine was designed to vend small candy bars and toiletry items. A firm was organized to market the new vending machine to potential customers, but the national company that had shown great interest in his machine changed direction and he was not to be successful. He had the following to say about this failure:

> "By that time I was dead broke from developing the vending machine and literally went from selling my invention and company to an international company, running a new division for them, to working for a temp agency just to bring some money into the house so that we

could pay bills. Times were very hard for me then, and I went from near total success to cleaning out the grease pit at one of the local car dealerships. I had raised $375,000 to promote my vending machine and lost every penny of it".

Even this did not deter Entrepreneur D, and a greater loss was yet to come as another business failure would force him to sell his family home in order to avoid bankruptcy. He invented a shaving gel which he incorrectly identified as the catalyst that would ensure his future. His existing marketing firm would be responsible for promoting the new product. One of the United States' largest retailers was contacted and they agreed to sell his new product in their retail stores. Investors were lined up and a sufficient amount of product was manufactured to fulfill this order. Much to the amazement of Entrepreneur D, there were no follow-up orders and he began driving from store to store only to discover none of the delivered gel had been placed on the companies' shelves. Upon further investigation, he discovered the merchandise buyer for the retailer had refused to issue instructions to the stores concerning pricing or shelf placement. All of this was a result of the buyer being overlooked during the initial sales call by Entrepreneur D. The retail company returned the entire shipment of the product they had purchased, and the shaving gel firm was left in ruins. In order to avoid bankruptcy, which Entrepreneur D has a very strong aversion to, he had to sell his house, and, according to him, everything he owned in order to pay off an $80,000 debt. The shaving gel was stored in several warehouses around the Southeast United States which hold 3,000 cases of unsold gel.

This resilient individual has now overcome his previous failures. He is the owner of a decidedly thriving closet installation firm, as well as other invention related firms, and is constantly on the lookout for a new invention or business to start.

6.5.3 Perceived entrepreneurial characteristics of Entrepreneur D

Optimism is a characteristic Entrepreneur D believes is very important in making one an entrepreneur. In his career, he has shown a drive which, at times, seems to surpass simply being an optimist. This characteristic is one that, according to him, is a necessary ingredient for anyone to find success in business.

> "I think that what makes an entrepreneur an entrepreneur are three things. First, self-confidence; the belief that if anybody can do it, I can; this is the first building block that's necessary. Second, is not being afraid to take risks. Third, is optimism; optimism to believe that you can succeed, optimism to believe that nothing can stop them, and optimism about the future."

According to Entrepreneur D, an entrepreneur is anyone who opens businesses and is willing to accept losses as well as facing any risk that might come his way. He carried this one step further by offering his own definition of a portfolio entrepreneur:

> "I think the only difference between a portfolio entrepreneur and what you may refer to as a regular entrepreneur is that outlook that failure is really not failure. I think that a portfolio entrepreneur would see a failure as an opportunity to pursue or open another business, the second business or third or whatever it may be."

One of his most prevalent characteristics as an entrepreneur is a total lack of fear, and this lack of fear goes hand-in-hand with blindness to risk. He also possesses a characteristic which manifests itself as a total lack of concern as it pertains to money. This is supported by the fact he has been insolvent twice in his entrepreneurial career.

> "I don't know that money is that important. I think it is the act of creating a new business that excites me. It is creating something new and different, and perhaps something no one else has thought of that drives me as an entrepreneur…don't get me wrong, I think that money is important, and it is not much fun to work if you're not making money, and I know this firsthand as I've done a lot of work and made no money".

One item that is of great importance to entrepreneur D is opportunity recognition. He states this one characteristic of being able to see opportunity is what sets an entrepreneur apart from everyone else. Believing he was born an entrepreneur, he spent his life looking for openings that would allow him to build a new product or open a new firm. When asked whether or not anyone could be an entrepreneur if given the right opportunities and is willing to act on those opportunities, he answered quickly that the willingness to act on opportunities is the most important and is what makes one an entrepreneur.

> "A lot of people walk right past an opportunity, day by day, but they are not willing to make the step; they are not willing to take the chance. I think that if 10 people were given an opportunity, nine of them would turn their back on that opportunity. This is what makes entrepreneurs".

In order for an individual to be a successful entrepreneur, the ability to separate one's self from the failure of the business is a necessity. An investigation into the correlation between success and failure of one of his firms and his personal feelings of success and failure indicated Entrepreneur D believes he can separate himself from the failure of a firm. According to him, an entrepreneur should not necessarily blame himself for the failure of a business unless he created that failure. If the entrepreneur was responsible for the failure, he would know it and should be willing to accept all blame. One interesting finding about Entrepreneur D concerns his opinion of catastrophic failures in a firm. If the firm does experience a catastrophic failure, the entrepreneur should not have to accept that personally; the blame should be placed on the failure of the firm and not the entrepreneur. This opinion is in direct agreement with a study by Osborne (1993, p. 21) when he stated:

> “There are many external factors which are beyond the control of a capable entrepreneur and could conspire against the new enterprise. These include: strong competitor retaliation, a cyclical industry, loss of a key customer, distribution channels closing, changes in technology, changes in market preferences, initial undercapitalization, over-reliance on existing management, and outside family pressures”.

Entrepreneur D is the only entrepreneur in this study that thought in this manner. The four remaining interviewees were adamant about their involvement in their firm's failures and were willing to shoulder any blame. Entrepreneur D continued by explaining one of the characteristics he is proud of is his ability to avoid internalizing failure. According to him, if an entrepreneur fails, they should be willing to accept failure and avoid even considering the events as failures and, if possible, place the blame on the enterprise. Laughingly, he stated perhaps these things he believes in are part of his psychotic behavior.

Risk blindness is another characteristic Entrepreneur D possesses.

> "I absolutely have no fear of risk. I have never gone hungry; my family has never lacked anything. I will always know that tomorrow I can go out and get a job and support my family. I know that I can be successful in whatever it is I want to do, so rolling the dice is not a problem for me."

He is always looking for another opportunity and if his desire is to be successful in business, he must devote himself more to his ventures. In addition, there is a lack of managerial diligence and a propensity to become bored or uninterested in a business. When queried about one of his failed enterprises, he stated the following:

> "I think the biggest problem that I had was boredom. The business was not fun day in and day out. Sure there were days where it was exciting but most days it became very boring. It was the same thing every day, and at some point I would have gotten out of that business anyway due to being bored. I can't believe I admitted that….I am absolutely terrible at filing, writing checks, taking care of the little day to day things that have to be done. I am looking at the big picture all the time and looking for new opportunities all the time and I tend to overlook the little stuff that could put me out of business. It seems ironic that I own a company that is named "Organized Spaces" and I am the most unorganized person alive… so now it is my job to find

some people that can offset those weaknesses, and let me do what I do best."

Experience in business is a characteristic that has helped many portfolio entrepreneurs become exceptionally successful as their portfolio grew. Several have expressed that experience gleaned from failures or the experience acquired by success has given them the tools necessary to ensure all of their future endeavors would be positive. Entrepreneur D has a different position on experience, and one that is contrary yet very understandable.

> "I am certain that it [experience] would help; however, the fact that I had no experience in running a business did not stop me from opening a new business. Whatever I lack in experience, I make up for in determination. If this statement were true that you had to have experience in order to open a business, then no one would ever open a new business and succeed. I do believe that common sense would come into play and it would seem to me that if a person had ever been in a management position in a company then he could figure out how to run his own business. Regardless of the business, everything basically runs the same. You either are providing customer service or product and I don't believe that entrepreneurial experience, or a lack of it, can stop a person from opening a business."

Even though this statement from Entrepreneur D seems dissimilar to much research, it is consistent with a finding by Westhead et al that follows:

> "Evidence from the rural and urban samples suggests that novice founders had established businesses whose wealth creation and job generation performance was, in general, comparable to the levels reported by businesses owned by more experienced habitual entrepreneurs". (Westhead & Wright, 1998a, p. 88)

Entrepreneur D is such a distinctive entrepreneur and individual as indicated by his past, his outlook on life, and his experience as an entrepreneur. When it comes to figuring out a simple task, his training leads him to create a set of solutions when, often times, a quick fix might be the best solution. His focus is resolute, and he does not look for the easy way; he is searching for what he believes is the best way.

6.5.4 Motivations for multiple ownership and the relationship between the portfolio enterprises

Entrepreneur D possesses a high need for achievement. When this is combined with his capacity for opportunity recognition and his total lack of fear with respect to risk, an increase in multiple business ownership should be anticipated. He has not attempted to build any firms that are related to his existing firms and is adamant he is the only common link between his portfolio of firms. When asked whether one could study his firms without studying him, he indicated this would be possible, even simple. Contrary to this thought, he went on to state the following:

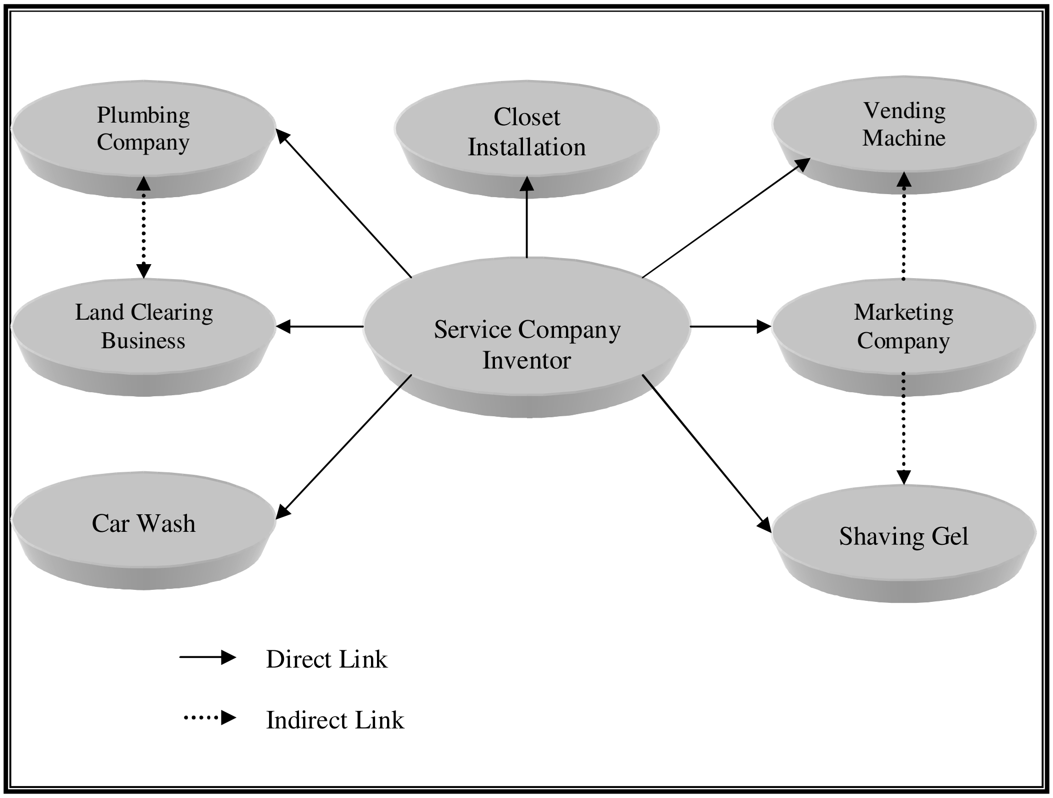
> "My companies that I have created are an extension of me. Everything that goes into them are my thoughts and everything that they are is me."

This statement seemed to be an inconsistency, and when confronted about this possibly being contradictory, he stated:

> "Well I guess if you put it that way, you would have trouble studying or analyzing my companies or me without considering the other. I guess I have always assumed that my companies were stand-alone and autonomous; however, as I look at it this way, I may realize that my companies are very little without me and I am very little without them. Okay, I concede you can't study me without studying my companies and you can't study my companies without studying me."

There has never been, up to this point, a dominant firm in Entrepreneur D's portfolio; however, this has changed recently with the success of his closet service firm. He sees this firm as being a catalyst by which he can revitalize some of the past failures he has experienced, namely the invention marketing firms. One must be concerned about the future viability of the closet firm if resources begin to be transferred from it to other ventures. According to Entrepreneur D, none of his past firms, which involved inventions, are ever far from his thoughts. He stated as he goes about his task of installing closets, he is constantly thinking about his ability to resurrect all of these firms. He does not see this as a problem. He is not attempting to create a business cluster but simply a desire to find success where he has only found failure in the past.

Table 6.12 - Graphic depiction of the relationships existing among the businesses owned by Entrepreneur D



6.5.5 Recap

The literature review chapter on portfolio entrepreneurs included a section on the cognitive ability of alertness which entrepreneurs use to recognize overlooked possibilities for new firm startups (Baron, 2006). These cognitive abilities include the characteristics of intelligence, creativity, optimism, and one's perception of risk. Entrepreneur D possesses this cognitive ability and all of the characteristics that go along with it; however, in spite of having these characteristics, it cannot be proven alertness or attentiveness are characteristics which he possesses or lacks. Based on his failure rate, it would seem attentiveness to his firms is not one of his stronger qualities. In attempting to triangulate this attribute of attentiveness, one finds there are no references to papers concerning entrepreneurial attentiveness. Busenitz (1996) alluded to attentiveness; however, the main thrust of his paper was entrepreneurial alertness as it pertains to ones ability to recognize opportunity, not alertness to ones own shortcomings. This is an area that should demand additional research.

Optimism is a characteristic Entrepreneur D spoke of at length, and he is convinced if one possesses optimism they can be successful, regardless of other traits that may take away from success. In a study on optimism, Trevelyan stated:

> "For entrepreneurs, optimism is vital to overcome the anxiety about starting something that nobody has done before, but too much optimism can prevent acknowledging that there are risks involved whenever assumptions are made with very little data to support them. There comes a point at which too much experience or knowledge can produce overconfidence. Overconfidence also happens when managers are in a heightened emotional state. Another common trap is to become overconfident about a decision or course of action because of all the time, money, and energy you have put into it." (Trevelyan, 2007, p. 18)

By studying Entrepreneur D's story, one can see he is a prime example of a portfolio entrepreneur who shows no fear when faced with failure and is not scared of risk. In spite of being guilty of some very imprudent mistakes, one should admire him for his undying optimism. Laughing, he states if you look at his past, one would think he had a tendency to take his mistakes forward. However, contrary to this, there is a certain amount of pride in his voice when he speaks of his past failures and his ability to overcome those failures. He is one of those rare individuals who, in spite of extreme privation, has continued to work diligently to surmount any obstacle placed in his way. He maintains a philosophy toward life few people have the ability from which to benefit. If one could predict future success based on attitude and outlook, then Entrepreneur D hopefully will be a success; only time will tell.

6.6 Case study five Entrepreneur E – Developer and Attorney

6.6.1 Introduction

Entrepreneur E is a 43-year-old attorney and a successful entrepreneur whose goal in life was to become a high school instructor. This simple lifestyle was not to be. He is a practicing attorney and owns 13 different firms, some of which he is sole owner and a few in which he is a partner. He is also an angel investor. He believes his style of entrepreneurship requires him to be involved in his businesses, yet he is reluctant to admit his involvement may have been the cornerstone of his one entrepreneurial failure. This individual is a rather private person who was willing to answer questions completely but offered very little additional information. Contrary to many entrepreneurs who enjoy sharing their achievements with anyone who is willing to listen, Entrepreneur E was unenthusiastic about boasting of his abilities. Once, while being questioned as to whether some of his former employees could be contacted concerning the failure, Entrepreneur E became irate and the interview was abruptly halted. Only after a telephone call and a sincere apology did the interview continue the next day.

6.6.2 Biographical account

Startup

Entrepreneur E was one of three children of middle-class, hard-working parents who instilled a work ethic in the young man that allowed the youngster to go out and earn spending money by mowing yards and delivering newspapers. He stated this was done "to make a few bucks", and he usually worked alone. Throughout his childhood he was somewhat of a loner, which was very unusual for a young man growing up in the South. He enjoyed being by himself and seemed to relish any opportunity he had to make money. Little is known about him until he graduated with a bachelor's degree from college. It is from this point forward Entrepreneur E is willing to share his life with others.

Like many business people, Entrepreneur E was successful in achieving his early goals, but came to the realization his life was not what he envisioned and enrolled in one of the top law schools in the United States. After three years in law school, he passed the bar exam and was vested as a practicing attorney. In spite of his success in the legal arena, there was still a void in his life. He became aware he wanted to fulfill his dream of becoming a business owner. Now that he had the resources, he set out to accomplish that final goal. He had the following to say about his search for contentment:

> "I knew at a very young age that I wanted to be in business for myself; however, when I grew up, it took me longer than expected to find my niche".

His initial business came out of a necessity to save money during the construction phase of his first apartment complex. He opened a construction cleanup firm, whose sole mission was debris cleanup at the site of his new apartments. Soon, other contractors were calling and requesting the services of his firm. This was his first foray into the world of business, and it energized him. Soon after, he took the building contractor examination and passed with the highest possible score. His fledgling cleanup firm was combined with a brand new construction firm. He still owns his construction firm, as well as seven apartment complexes, each of which is incorporated separately and counted as individual businesses. He is owner of a video deposition firm, has a minority ownership in several other firms, and practices law successfully.

In his career as an entrepreneur, he has only suffered one failure. As a partner in a group of restaurants, he fulfilled yet another of his early life desires. There were four restaurants in the cluster, and he prided himself in being involved in the day-to-day operation of these firms. Entrepreneur E had the following to say, laughingly:

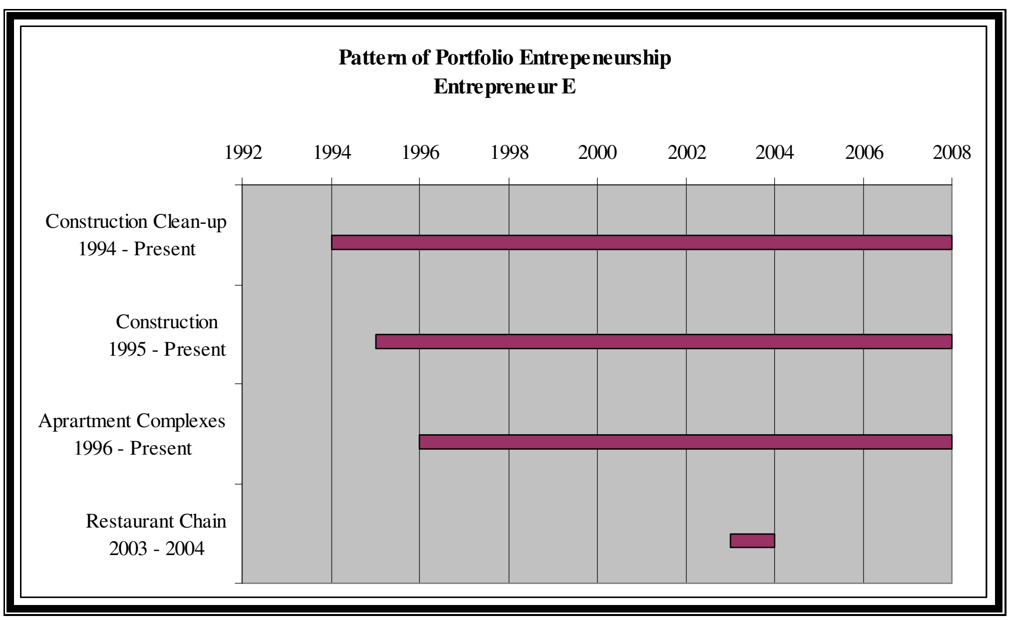
> "Everybody wants to own a restaurant. They think it will be so much fun to get in there and watch the food being prepped and served; that's all a myth….I did not run the restaurants like I do my other companies.".

He is willing to accept some of the blame for the failure of these restaurants, but he is very quick to point out there were other partners involved, as well as managerial issues that contributed to the group's demise.

Table 6.13 - Important events in the entrepreneurial career of Entrepreneur E

Entrepreneur E – Timeline	
1990	Obtained law degree
1994	Started the construction clean-up business
1995	Construction firm began operations
1996	Began building apartment complexes
2003	Partnered with others entrepreneurs to start a restaurant chain
2004	Restaurants failed
2008	Continues to practice law and operate his apartment businesses as well as the construction firm

Table 6.14 - Timeline



The firm failure

As Entrepreneur E expresses, he is no stranger to failure. The restaurant group which was unsuccessful has been his only failure, but it was enough to make him aware of his own weaknesses. This failure has served as a reminder to him every decision made in a business could possibly be your last. Even though he was only part owner of the restaurants, he was involved in many of the day-to-day operations, often interjecting his thoughts on the menus, advertising, and anything else in which he could participate. It is obvious managerial function was one of the major contributing factors of the failure. When it was pointed out a study (Parsa, Self, Njite, & King, 2005) found independent restaurant failure seems to stem more from internal factors than from external events, and external factors do not necessarily lead to catastrophe if management handles the problems correctly, surprisingly, he agreed this was his problem.

In addition to recognizing the fact he had a failure, he also is willing to shoulder a portion of the blame for the failure, although he believes many people, including his partners, their restaurant manager, and their district manager, all contributed to the downfall. Laughing, he had this to say:

> "It really was fun, but I should have depended more on my managers and left the operations to those individuals who knew what they were doing. It was an expensive lesson".

His opinions on failure are varied, and, even though managerial function was the foundation of his failure, he still believes the principal contributing factor to failure for most entrepreneurs is a lack of funding or a lack of resources. As to the stress caused by the failure, he believes owners who have experienced a failure do not spend as much time worrying about the stress it causes but time trying to figure out what went wrong with their firm. In addition, one must look at both the negative and positive outcomes in a failure. The following are his thoughts on positives and negatives:

> "It amazes me that people are willing to ignore negative events. I don't know how they can do this. When I have something negative in front of me, it is my nature to immediately confront this negative event and work to correct it".

It seemed ironic he would have the ability to see a positive side to his failure, but he was able to do just that. He said:

> "It [the failure] was positive in that the outflow of cash ceased and negative from the standpoint that I've lost four of my businesses".

When queried as to whether or not, at some point, a risk becomes recklessness, he indicated there is that time. However, he pointed out his failure did not come as a result of recklessness or risk. If there had been no partners involved, he would have been more risky. He would have invested more money, possibly in a losing situation, but, as he pointed out, when you are using someone else's money, it sometimes pays to be conservative. Many of the issues that occurred were due to a series of small failures which began taking place in his firms prior to the catastrophic failure.

Being one not to disappoint, Entrepreneur E was very resolute that an astute entrepreneur will not allow small problems to continue in a firm. He thinks an entrepreneur who is aware of his business will immediately take measures to prevent these small failures. He prides himself in his ability to recognize small problems on a daily basis, hence avoiding the big failure. When pressed on this matter of small problems occurring in the restaurants, he did state there were small problems increasing on a regular basis. He was aware of them, and they were attributed to what he referred to as growing pains. The restaurants were new, but as time passed, problems did increase, everything from advertising problems to personnel. He had the following to say about the undiagnosed small failures:

> "You know, as I sit here and talk about this, I'm almost having an epiphany. Perhaps we should have been more aware of what was happening right under our noses. Maybe we should've done this interview earlier".

In a discussion concerning mismanagement being a factor in the termination of his restaurant group, and whether or not there was the possibility of too much interference from others which could have precluded the manager being able to perform his duties, Entrepreneur E. stated:

> "I guess hindsight would say that we may have interfered too much, but our district manager should have told us if there was a problem".

Another area of interest related to Entrepreneur E's perception of risk, and whether or not his perception changed as a result of the restaurant's failure. He said:

> "Sometimes we entrepreneurs feel like we are bulletproof, especially when everything we've done has been successful. As a result of the restaurant's failure, I am more aware of the smaller events that take place, but more than recognizing them, I am recognizing them earlier. I think that part of the problem we have as business owners is that we sometimes tend to overlook problems, thinking that they will go away in time. This is exactly the opposite of the truth. Problems do not go away in time; they only get larger. I sure hope that's the last question you ask me about my business failing".

6.6.3 Perceived entrepreneurial characteristics of Entrepreneur E

Entrepreneur E believes opportunity recognition is the most important characteristic an entrepreneur possesses; second to this is "failure knowledge", as he calls it. He believes entrepreneurs are risk takers, have exceptional confidence, and true entrepreneurs continue to build businesses regardless of their past history.

Opportunity recognition, according to Entrepreneur E, is a trait that has allowed him to pursue some of his most profitable enterprises. If an entrepreneur fails to recognize opportunity, they will not be as successful as they could be if they worked at honing this skill. He believes it is something that improves with time and concedes a large part of opportunity recognition comes from learning from past mistakes and experiences. When asked whether or not he used past experiences in his ventures, he was quick to point out how ridiculous that question was, by stating:

> "That's really a silly question. Of course I have, and I do every day. We all learn from our past experiences, and we use them every day

> and not just in business but in family life and any other activities that we do. Past experience should not be reserved just for businesses; it's part of the growing process for everyone".

According to Entrepreneur E, risk taking is one characteristic that is found in all entrepreneurs. He says:

> "I don't believe an entrepreneur can be in business if he doesn't take risks. I think this is one of the main concerns that an entrepreneur should face. Without risk, there is no return".

His outlook on risk and recklessness and the role it plays in business failure was remarkable in that he believes risk is in the eye of the beholder. What one person considers very risky, another may see as incorporating no risk at all. An example he provided of a person being reckless is a day trader in the stock market. He would consider every action of these traders as being risky and reckless; whereas, the traders see it as a normal workday in their quest to make a living. What one person views as risky in business may not be risky at all to Entrepreneur E. His work ethics make him measure risk in everything he does. He states he is not avoiding risk, but attempting to minimize the negative effect of risk. One must remember how adamant he was concerning, "no risk no return". His example of the day trader is one that would be difficult to argue with as it pertains to risk. It becomes obvious he believes smart entrepreneurs are the ones who will learn to control the amount of risk they are willing to accept. This lack of fear towards risk comes from confidence, and he states he is probably one of the most self-confident business owners around. He attributes this to his life as an attorney, and believes going to court and standing before a judge and jury has given him great confidence in himself, a trait which has carried over to make his firms a success.

An attribute Entrepreneur E does not believe is valid concerns whether an entrepreneur can be taught. He believes he was born an entrepreneur and at a very early age realized he would not be happy unless he worked for himself. Each apartment complex he owns is operated by a manager he handpicks himself. When presented the findings by Caird (1993) that business owner-managers should be considered entrepreneurs, he was unyielding that managers are not entrepreneurs, and if they were, they would not be working for him or anyone else. He is also concerned a manager does not share the risk and has no investment in the firm, and without these, one cannot be an entrepreneur. His managers are just that - managers. His managerial style requires him to "leave them alone and let them do their job" once they are trained and are capable of managing his properties. It seems as though his dependence on managers is a necessity driven by the fact he cannot be in all places at the same time. He is adamant about instilling his beliefs into each individual manager. If mismanagement occurs, it will appear soon after the manager begins working for Entrepreneur E; therefore, he can make changes before too much damage is done.

When discussing the theory of one being born an entrepreneur, Entrepreneur E says young people who have a mentor or a very interested parent who worked very closely with them trying to make them into an entrepreneur are usually not as successful as those who are born. He states that a person must be born with the tools necessary to become successful. As a business angel, he sees many young people who have a desire to become business people. It is those who approach him with the burning desire to work for themselves who he sees as being ultimately successful. Rarely does someone state they wish to go into business to get rich, but those who do usually fail.

When discussing whether or not an entrepreneur could start a firm with little or no capital, he stated his very first business upon graduating law school was the construction cleanup firm; he started with no money. This has led him, as a business angel, to help young people determine, in real numbers, the funds they actually need to get their firms operational. One fact in which he takes great pride is, regardless of how much money a young entrepreneur thinks he needs to open a business, Entrepreneur E can usually show them it can be done with much less. He also takes pride in stating he is living proof entrepreneurs can start businesses with little or no money.

Another characteristic is anyone can be an entrepreneur who is given the right opportunities and is willing to act on those opportunities. Surprisingly, he concurs with this statement. He refers to his numerous friends whose parents have given them a business and now they are entrepreneurs. There is a difference between an entrepreneur, such as Entrepreneur E, and these individuals who were given their first business. According to Entrepreneur E:

> "It seems though that these people who were not born an entrepreneur did not end up opening several businesses as I have done. I think these people, who are not born an entrepreneur, are content to own one or two businesses, and that's enough, while a guy that's born an entrepreneur will want a bunch".

6.6.4 Motivations for multiple ownership and the relationship between the portfolio enterprises

The only motivation for multiple-ownership in the portfolio of businesses owned by Entrepreneur E, according to him, was the enthusiasm he personally harbored to own numerous businesses. This was done to satisfy his desire to become a success. He did point out his ability to develop businesses was becoming less complicated each time a new enterprise was started. The revenue streams produced when his apartments were leased to capacity allowed him, on occasion, to purchase property at a sub-market price. The ease with which he could build new businesses, and the availability of money, should be considered a rationale for multiple-ownership.

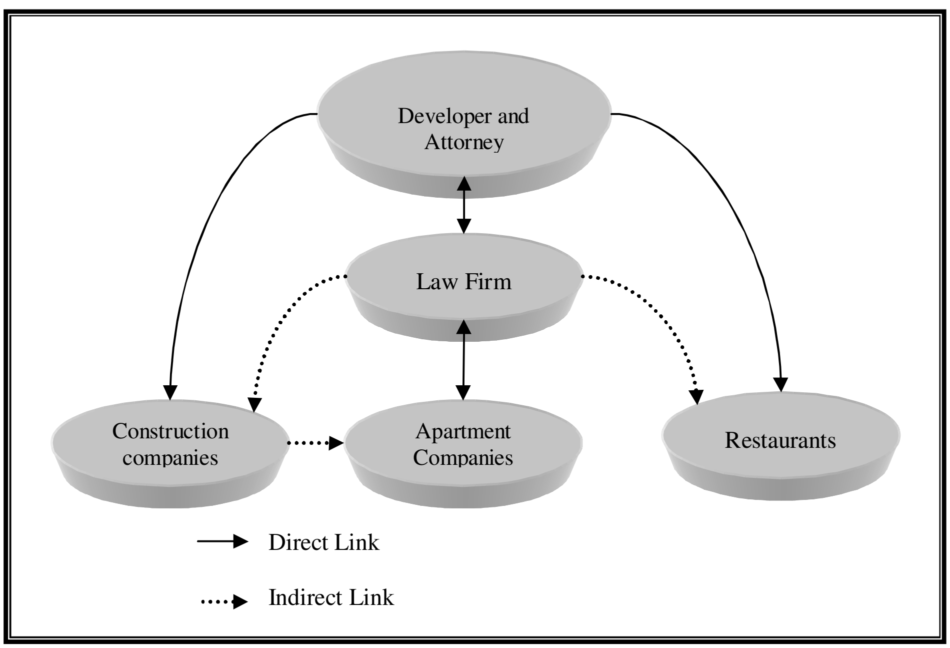
He considers his apartment firms as a cluster, but the remaining firms in his portfolio are not considered a part of that cluster. In spite of the fact his law firm is considered the "cash cow" of his holdings, he works incessantly at ensuring the firm stays isolated and apart from any of his other businesses. He works diligently at maintaining a separation between himself and his firms, but when asked whether or not one could study his firm without studying him, he had the following to say:

> "No, it would be impossible. Perhaps if you were doing a study about apartments and the percentage of rentals to minorities or some other

criteria that you were researching, perhaps, but if you are attempting to investigate how my company's work, it would be impossible to do that without including me in it."

In the beginning of his entrepreneurial career, he and his law firm were the only common link. As more apartment buildings were added to the portfolio, a natural link developed within those firms which involved rental units and employees. Even though each of his apartment complexes is an independent entity with individual incorporation, there is still a link. The independence between these firms was purposefully designed due to an insurance liability standpoint. If a catastrophe occurs at one site, the remaining firms cannot be held accountable. Entrepreneur E is hesitant to acknowledge a link does exist, admitting he is the only common link between all of his businesses. He remains reticent about any link and refuses to acknowledge the connection between the firms, although his managers were in agreement that each of them works together on a regular basis, sending potential customers to and fro and ensuring the success of all.

Table 6.15 - Graphic depiction of the relationships existing among the businesses owned by Entrepreneur E



6.6.5 Recap

Entrepreneur E is an entrepreneur who will undoubtedly continue to be successful in all of his current enterprises and many more yet to be built. Like so many other portfolio entrepreneurs, his outlook on failure makes him strong and his businesses are operated with a style that will enable them to be successful for many years. One factor that will assist him in finding future success is his income flow from his existing businesses and his law firm. He realizes he has an advantage over many of his rival entrepreneurs due to his wealth, but at the same time, he is very aware of his vulnerabilities in managing so many firms. His reliance on managers is a necessity and is probably the weakest link in his operations, a fact of which he is aware. It is for this reason he spends so much time working with his employees, usually via the telephone, trying to ensure each of his businesses are being operated just as he would personally operate them. The future holds only success for this entrepreneur and his diligence and outlook on entrepreneurship will certainly make him a winner.

6.7 Examination and conclusions of objectives one and two

Introduction

This section will explore a portion of the information presented in the previous five case studies. The examination will include the characteristics of the portfolio entrepreneurs, their motivation for multiple business ownership, and the relationships that exist between each entrepreneur's various businesses. The protocol design utilized for their individual case studies permitted an in-depth discussion of their failures and successes. This design allowed the attainment of conclusions that were the over-arching target of the study. These conclusions were reached by utilizing the case studies, by writing a cross case report on the characteristics, and by utilizing inductive reasoning. One must be cognizant, at this time, there is no theory this research is attempting to prove or disprove. It is an endeavor to discover the various character traits that are common between these entrepreneurs and their motivations for multiple business ownership. By utilizing a replication methodology throughout the case studies, one can reach understandable conclusions, and the objectives, which were outlined in the Conceptual Framework chapter, can be further investigated.

6.7.1 Objective one:

To explore the characteristics of the portfolio entrepreneur and the businesses involved in a failure.

Introduction

The first objective, *to explore the characteristics of the portfolio entrepreneur and the businesses involved in a failure*, requires one utilize previous studies, which have outlined important characteristics of portfolio entrepreneurs, and to search for any previously undiscovered characteristics the entrepreneurs may have disclosed in their narratives. In the literature review chapter on portfolio entrepreneurs a chart displays the various characteristics indicated by researchers which was utilized as a basis for research-centered triangulation. Additional verification or triangulation was deduced via interviews with employees of the entrepreneurs and family members, as well as information available on the World Wide Web. Also, there was a reread of the transcripts of the case studies in order to identify any gaps or omissions that may have occurred.

As this chapter developed, there was the possibility the information being sought was either being presented as planned, or there may have been a major breakthrough in the information being given. Employing the coding from NVivo and following the methodology outlined by Miles and Huberman (1994), one is able to discern the underlying theme of the characteristics portion of this objective. In addition to identifying themes, one must also be concerned with the development of a possible group identity, although these entrepreneurs are all exceptionally independent. In order to fully explore the entrepreneur's characteristics, an investigation should search for a group identity among them and whether it could even exist in such diverse individuals.

Findings on the characteristics of the entrepreneur

In evaluating the case studies, one can establish a familiar pattern of distinct characterizations and a shared series of events that occurred with each entrepreneur. The characteristics of the various entrepreneurs, as presented in their narratives, had a certain commonality that existed among them. The entrepreneurs all possessed many of the same characteristics, even though they did not know each other, nor were they aware of the identities of the others.

The main theme that has emerged is the entrepreneurs are more concerned with their personal achievement than they are about the potential rewards of success. These rewards are praise and financial gain. This is confirmed by the fact all five entrepreneurs expressed a high need for achievement as one of their ideal characteristics. During the interviews, several indicated money was not the driving force in their career. This is not to say financial rewards are not important to the entrepreneurs, but self-satisfaction through the successful operation of their businesses seems to be their driving force.

In addition, all five of the entrepreneurs have actively engaged in pursuing and exploiting opportunities. Opportunity recognition is very important to all of the entrepreneurs, but as they indicated, their opportunity recognition is often tied directly to their desire to excel personally. Both of these characteristics, a high need for achievement and the ability to see opportunity were evident in the entrepreneurs, and they used them to ensure their personal success. Even though they are willing to take chances on new enterprises, they often labor at mitigating the challenges and opportunities so they are neither overly challenged nor the task would seem too simple. Perhaps, their intention is to make all of their challenges achievable and only moderately difficult. This is demonstrated by Entrepreneur A as he searched for a firm that would allow him to launch an insurance business. He was complacent, almost to the point of being lackadaisical, as he accepted the first easy answer to his search. Another clear example of this is Entrepreneur E who took on several partners in order to go into the restaurant business. None of his other firms were partnerships, yet Entrepreneur E chose to partner with others, perhaps knowing if a failure occurred, someone else would shoulder a portion of the blame.

Acceptance of risk is another characteristic that was overwhelmingly acceptable to the entrepreneurs. The exception to this was Entrepreneur B, who was the oldest entrepreneur interviewed and also the one who had lost several businesses at a great cost to his pride. Prior to his failures, Entrepreneur B was as acceptable to risk as all of the remaining entrepreneurs, but with experience from failure, a risk aversion presented itself. He indicated during a follow-up discussion that centered on whether or not there was a financial loss to him when his liquor stores and convenience stores discontinued operation, the biggest loss he incurred was his own pride. He was concerned his peers would look down upon him as a failure, and this greatly overshadowed any financial loss. It is events such as this which cause these entrepreneurs to work diligently at influencing the outcomes of their actions. One other position involving risk was presented by Entrepreneur E when he pointed out what one person considers very risky may seem to incorporate no risk whatsoever for another. All of the entrepreneurs were in agreement risk and return are in concert; however, there is a lack of agreement in just what the returns should be, financial or personal.

One final overly evident characteristic was the entrepreneurs retained their original business while starting other ventures. With the exception of Entrepreneur D, all of the entrepreneurs have retained that original firm. As the discussion took place concerning this attribute, it became obvious everyone possessed a certain affinity for their original firm. In some cases, it was the reason for additional growth, but the majority of the time, it was simply the first business the entrepreneur built and they expressed a true affection for that first firm. Of the four that retained their original firm, all stated they would never consider selling the genesis of their entrepreneurial career. This finding is contrary to the conclusion reached by Ronstadt (1988, p. 39) in his paper on the corridor principle when he stated:

> "Budding entrepreneurs can afford to be less enterprising in terms of their initial ventures. They may be better off looking for a venture that simply gets them into business and provides a conduit toward more ambitious and/or rewarding ventures, to be started in the future."

None of the entrepreneurs in this study created their first venture in order to break into their entrepreneurial calling. Their first ventures were, at the time, their only planned venture and as Ronstadt correctly pointed out, they did use this as a catalyst toward their ultimate career as portfolio entrepreneurs. He stated:

> "The evidence thus far available indicates that the creation of subsequent ventures occurs relatively quickly when corridors of opportunity become visible and attainable after earlier ventures are established." (Ronstadt, 1988, p. 32)

Two characteristics were indicated by researchers to be entrepreneurial characteristics, but were not considered viable by the five interviewed entrepreneurs. One group of researchers stated anyone could be an entrepreneur that was given the right opportunities (Howorth, Tempest, & Coupland, 2005). This was not acceptable to the entrepreneurs. Each of them discussed this concept and the overall consensus was not in agreement with this statement. Entrepreneur A's comment to this notion was, "You have to have, I believe, a passion for it". The other characteristic rejected by the entrepreneurs was entrepreneurs only pursue the very best opportunities (McGrath & MacMillan, 2000). The opinion, often while laughing, was if they only chose the best opportunities, why did they experience failure?

One characteristic that was not mentioned in the literature, yet became evident during the investigation process, is every one of the entrepreneurs enjoyed talking about themselves and sharing their personal information. From the onset of each interview, all five entrepreneurs were pleased to be a part of this educational process and provided information without being asked. Entrepreneur E was perhaps the most difficult, not offering information freely, but was still eager to be a part of this study. Questions were not posed to the interviewees concerning their net worth or the amount they lost in the failures, but if those questions had been asked, most would have been willing to respond. Regardless of the subject matter in each question, the entrepreneurs gave straightforward and honest answers. Demonstrated by their actions, all were pleased to be able to share their information about themselves. This trait of personal openness shows their pride in their own accomplishments. The frankness which they exhibit when talking about themselves displayed a certain daring as it applies to discussing their achievements and their failures. This openness the entrepreneurs displayed, in all cases, was an egoless demonstration of self-esteem and should not be construed as being pretentious or pompous. Perhaps an additional characteristic should be researched and documented concerning the openness of portfolio entrepreneurs.

Conclusion

A high need for achievement was articulated by two researchers as the first or the most important of many propensities entrepreneurs possess (Caird, 1993; Schmitt-Rodermund, 2004), and it was the number one characteristic among the five portfolio entrepreneurs in this study and is the motivational force behind each of them. This need expresses itself in the number of businesses each of the entrepreneurs has built.

The high need for achievement could possibly result in the creation of a portfolio entrepreneur group identity. Group identity is often considered a very narrow characterization, such as religion, but it can also be very broad and encompass individuals who have no connection with each other, other than a shared interest, and in this case entrepreneurship. Many of the collective traits and experiences presented in this chapter could be open to diverse interpretations. However, when one examines the principles, concerns, and values the entrepreneurs shared, one can conclude a group identity exists among these five entrepreneurs and perhaps all other portfolio entrepreneurs. This common identity is the high need for achievement.

This chapter has outlined several of the major characteristics which are shared by all of the entrepreneurs who were interviewed for this thesis. The group identity among these entrepreneurs is evident in spite of their lack of knowledge of each other. The identity has evolved due to their shared interest and a shared destiny and could be based upon identity-based qualities. These qualities emerged when their careers as entrepreneurs began and have developed through the years as their entrepreneurial skills grew. This group identity has surfaced because of many similarities in each of the entrepreneurs past history and the social climate in which businesses operate today. This high need for achievement is satisfied by always being alert for a new opportunity, risk taking, and their shared need to build new firms.

6.7.2 Objective two:

To explore the entrepreneur's motivations for multiple business ownership and the relationships that exist between the various businesses that the entrepreneur has started.

Introduction

The second objective, *to explore the entrepreneur's motivations for multiple business ownership and the relationships that exist between the various businesses that the entrepreneur has started,* can be researched only after one has investigated the characteristics of the portfolio entrepreneurs and determined what traits would trigger their desire for multiple business ownership. In addition, one must have an understanding of the portfolio of businesses held by the entrepreneur and what commonalities are evident among those businesses. In the previous section of this chapter, it was determined a high need for achievement has emerged as the major characteristic shared by all five entrepreneurs. Other factors include their ability to accept risk, and their superiority at opportunity recognition. The recognized group identity of a high need for achievement alone could be the motivation for multiple business ownership. Non-habitual and even nascent entrepreneurs, could also have a high need for achievement, therefore, one must consider additional entrepreneurial factors. To complete a thorough investigation into their motivations for multiple business ownership, an analysis into the management styles of portfolio entrepreneurs is necessary as well as the relationship between their businesses.

Managerial style

The managerial styles as described by the entrepreneurs ranged from what Entrepreneur A called a George Patton style to an autocratic style. Contrary to these characterizations, a close analysis of the entrepreneurs produces a clear depiction of their styles. In spite of their management style, each of the entrepreneurs indicated once a business was "up and running" they were willing to back away and let their employees do their jobs. This was the best enunciated by Entrepreneur E who stated, "I use a leave them alone and let them do their job approach". This approach seemed to be a universally accepted style. It allows the entrepreneurs to examine their firms from a distance rather than while handling the day-to-day operations. Their time was spent analyzing the need for new strategic direction, whether they were operating as efficiently as possible, and, finally, looking for new opportunities.

Relationships between their firms

All of the firms operated by the five entrepreneurs had many qualities and links in common that must be investigated in order to establish the relationship between them. Criteria, which are necessary to determine these relationships, are dependent upon whether there is a dominant firm in the portfolio, whether all the firms grew out of an initial firm as an adjunct or ancillary business, and whether or not the businesses shared business assets.

All of the entrepreneurs owned a dominant firm, or at least one they refer to as the dominant firm. For four of the entrepreneurs, the dominant firm was the first firm built, except in the case of Entrepreneur D; his first firm was no longer in existence. These original firms are still owned by the entrepreneurs and have served as the provider of resources for additional firm growth. This dominant firm premise could be construed as a reason for multiple business growth. However, each of the entrepreneurs had numerous outlets for financial assistance; therefore, the fact a dominant firm existed and provided resources cannot be construed as an overarching reason for multiple business ownership among these entrepreneurs.

Growth within the portfolio was occasionally due to the entrepreneurs ability to see new opportunities as a result of being in a prior business (Ronstadt, 1988). In the case of Entrepreneur A, additional businesses were a natural follow-up to his original flight school. He was training future aircraft pilots and had the necessary aircraft; therefore, the pipeline business was a natural connection for him. Entrepreneur B had a similar situation, except the link between his businesses would be considered ancillary to his original firm. He was in the tourist business and provided lodging for the area's visitors. He saw a need for additional shopping opportunities for his guests; therefore, he opened liquor stores and convenience stores. He pointed out it was a coincidence his firms catered to tourist. Regardless of any links, he would have built more firms to satisfy his own need for achievement. Entrepreneur C created new firms neither as an adjunct nor as an ancillary business. She created new businesses as the need arose, and there were very few relationships between the businesses. She indicated she was able to move employees between firms with little effort. This allowed her to build new firms with no fear of staffing, a major problem in any new enterprise. Each situation is different, as are the other two entrepreneurs who created various types of businesses based on a drive within themselves rather than a commonality between the firms. From this, one cannot determine any relationships between the firms that would have motivated the entrepreneurs to create new firms.

Business assets are sometimes the common link between firms. Some of these assets that are shifted from firm to firm include equipment, money, employees, and even family. It can also extend into policies and management styles. Once again, Entrepreneur A emerges as the prominent entrepreneur for this theory. The aircraft he owns are transferred between the firms, as the need arises. He is the only one of the five who moves resources on a regular basis. Some of them share minor resources, such as office products or purchase their goods together, as do Entrepreneur's B and E, but otherwise, resources are not shared on a regular basis and cannot be considered as a major reason for multiple business ownership among these entrepreneurs.

Conclusion

In searching for a motivation for multiple business ownership by portfolio entrepreneurs, consideration was given to entrepreneurial characteristics, management style, and links between the various businesses. The first of the traits to be excluded were the links between the various businesses. Shaw's (2006) research indicates firms can achieve a competitive advantage by sharing resources and networking. In spite of the competitive advantages gained by this sharing, there was no evidence given by the entrepreneurs that would lead one to suspect their desire for multiple ownerships could be tied to a particular relationship or resource sharing between their existing firms. In spite of the fact there was an exchange of resources between the dominant firm and the new firms, there is no data to support a factual determination that multiple business ownership comes as a result of the links between the existing businesses.

The management style utilized by the various entrepreneurs would not support a definitive decision on motivation for multiple ownerships. Since most of the entrepreneurs indicated the style used by them was one which allowed their employees to operate their businesses without a great deal of interference on their part, their methods for running existing firms cannot be utilized to explain their portfolio entrepreneurship.

All of the reasons which have been considered and ruled out as being a primary reason for multiple business ownership, when combined, do augment the motivations of the entrepreneurs; however, the over arching reason for multiple ownerships is based on the high need for achievement each possesses. This finding agrees with the work of researchers who indicated a high need for achievement is one of the main characteristics shared by entrepreneurs (Caird, 1993; Schmitt-Rodermund, 2004). Fundamental incentives such as profit or the utilization of assets existed for all of the entrepreneurs. In spite of this incentive, ultimately, they build multiple enterprises because they enjoy it and are driven by their high need for achievement.

CHAPTER 7

ANTECEDENTS OF FAILURE AND EXIT STRATEGIES

7.1 Introduction

One of the main questions asked when a firm discontinues operations for any reason, is “Why did they close”. Based on previous research in this thesis, one may charge failure, bankruptcy, exit, or perhaps, the entrepreneur became tired of their ownership as the underlying cause. In order to ascertain the actual reasons behind the discontinuance of the firms, a comprehensive investigation was undertaken that would expose the rationale behind the various decisions that were made to cause the end of the businesses. An empirical and conceptual analysis addressed the principal causes of business failures that affected the entrepreneurs in this study and analyzed any exit strategies the case entrepreneurs utilized to rid themselves of troublesome or unwanted firms as well as their perceptions of those strategies. It also explored the antecedents of those business failures and the entrepreneurs’ assessments of the antecedents were analyzed. By possessing knowledge of the antecedents to failure the entrepreneur can warrant that a single business failure does not develop into a systemic problem within the entire portfolio.

The chapter explored the historical background of failure and exit strategies, as well as any perceptions of the impending failure of which the entrepreneurs were aware. If, in fact, the entrepreneurs were aware of impending problems within their firms, did they utilize any planned exit strategies, and if so, what were those strategies, and why did they choose those particular ones?

7.2 Historical findings of business failure

According to the literature, there are many possible variations to a business failure. Everett and Watson (1998) define these as formal bankruptcy proceedings, termination to prevent further losses, failure to make a go of it, as well as discontinuance for any reason. There have been numerous attempts to find the basis for the discontinuance of businesses as shown in the literature review of this thesis. Causes of business failure are as varied as the researchers who investigated them. As far back as 1914, writers and scholars, realizing information on failure was important, have been speculating, through the printed word, about the reasons for business failure.

> "Among the causes of failure in business, none is so common as lack of appreciation of the importance of right bookkeeping and accounting methods. Men fail in business because they never know where they stand" (Richardson, 1914, p. 208).

Fredland and Morris (1976) argued the causes of failure cannot be ascertained easily, and state that if one makes an attempt to find the cause, they are undertaking a futile exercise. They indicate difficulty in finding causes may be attributed to the complexity of the problems being both endogenous (internal) and exogenous (external). Cochran's (1981, p. 52) reason for failure is, "because the business failed to be competitive with alternative uses of capital and labor", and Stubbart and Knight (2006, p. 81) stated failure can occur due to changes in the ownership or management, and mergers as well as acquisitions, and, as a result, cause the firm to disappear. Osborne (1993) outlined several exogenous factors, all of which are outside of the control of the entrepreneur, any of which could cause their failure. These include, competitors, business cycles within the industry, loss of major customers, changes in suppliers, and changes in technology. Contrary to these findings, Beaver (2003) presents research that failure appears to be primarily caused by internal or endogenous factors, what he refers to as poor management within the firm. He also refers to a Dun & Bradstreet press release from 1991 in which the firm, without reservation, states "the primary cause of business failure in the USA is due to management incompetence of the business owner" (Beaver, 2003, p. 120). Other researchers have attributed failure to flawed business and financial planning, a lack of proper marketing, competition, and a myriad of additional problems.

These internal and external causes were further researched by Zacharakis, et al, (1999) who determined entrepreneurs often attribute failure to external causes such as market conditions and financial problems. Their study of entrepreneurs ties the failure of the entrepreneur to external factors while attributing other people's failure to internal causes. By doing this, entrepreneurs are able to save face. They can keep their perception of themselves intact as able business people without admitting defeat. Another finding by Zacharias concerns an "executive limit" which indicates that there is a time limit for executives, and when this limit is reached, their leadership within the firm becomes harmful. A study by Rogoff, Lee and Suh (2004) found attribution theory a useful means of conceptualizing the attribution of success and failure. Their results indicate, in a matched-pair study, entrepreneur's state 91.3 percent of success is attributed to internal factors, while 81.4 percent of failure factors are external factors. In other words, success should be attributed to the entrepreneur while failure is caused by everything but the entrepreneur.

The causes of failure do not have definite or clear indications due to the nature of business itself. An undeniable factor concerning failure is that it has the ability to affect all businesses and all entrepreneurs at one time or another. Failure can have devastating effects; however, the entrepreneurs in this thesis have not experienced a debilitating failure in their portfolio, yet the possibility is still manifest.

7.3 Antecedents and perceptions of business failure

In discussing the antecedents to failure, several questions must be answered to fully understand the events which precede closure of a firm. These questions will expose any critical incidents or events occurring, what the entrepreneur was doing, how the entrepreneur perceived the problem, and whether certain antecedents to failure were present during the failure event. Based on the interviews, small failures or early warning signs of which owners and managers should have been aware may have been occurring. Did management tend to overlook these signals or simply interpret them as flukes or something that would go away if they adhered to the firm's core beliefs? The entrepreneur would possibly consider it to be a temporary problem. These insignificant isolated anomalies may be a temporary problem, but if not recognized quickly and corrective action taken, a catastrophic event may follow. Blame is often passed to others in an attempt to produce a clear understanding of what had occurred. In addition to the small events, changes in the exogenous factors may have been occurring, any of which could be outside the control of the entrepreneur, also with devastating effects. Regardless of the type of problems mounting, the entrepreneur must be able to recognize them and take corrective action, or failure will result.

7.3.1 Entrepreneur A - Aviation

Entrepreneur A experienced a failure in an insurance firm which he built as an adjunct to his existing aircraft ventures. The insurance firm was outside the normal entrepreneurial scope in which Entrepreneur A was accustomed to working, and in less than one year, the insurance firm had failed. According to the entrepreneur, there were no outstanding antecedents of failure that were recognized by him. However, it was obvious to his manager there was a problem. The most obvious problem manifesting itself concerned Entrepreneur A and his lack of interest in the firm. This was one of the main antecedents of failure for this firm. As Entrepreneur A explained, he did not have a desire to spend any more time than necessary at the insurance firm; he wanted to be at the airport doing what he loved, flying airplanes. An additional antecedent to failure occurred prior to the inception of the firm. This befell the firm when Entrepreneur A rushed into locating an insurance carrier that would allow him to write policies. He was content to accept the first company that showed any interest in him and his plan. In hindsight, he realized his firm, due to this misstep, was doomed from the outset.

Entrepreneur A had the following to say concerning the antecedents of failure that occurred within his insurance firm:

> "The cause of the failure of my insurance business probably could be traced to a managerial breakdown or a lack of managerial function, and a lack of interest on my part".

His perception of the antecedents of failure indicated he was aware of the importance of monitoring one's firm on a daily basis by attempting to be vigilant in attempting to identify any early warning signs that could help the entrepreneur avoid failure. He was adamant in his defense of a constant vigil to watch for early warning signs. He said:

> "If an entrepreneur can spot the small mistakes that are occurring in his company, he can avoid the big mistake and hopefully he will avoid failure."

He chose to ignore his own advice.

7.3.2 Entrepreneur B - Tourism

When Entrepreneur B encountered his dilemma with failure he was the owner of a seasonal tourist motel, and decided to expand his holdings to include a variety of retail stores. He purchased property which he converted into various businesses. Some were successful, others were not. Ultimately, he was left with only his motel operations, and he attributes the discontinuance of his retail business on the unsuccessful convenience stores and one of the liquor stores that precipitated the downfall of all the firms. He indicated the problems which caused his ruination in the businesses began as a gradual declination in his overall supervision of the employees and the firms. He began his explanation by stating, "Nobody wants to consider that they have made a dumb mistake, and I knew I had made a dumb mistake".

One of the first antecedents to his failure was his inability to spend sufficient time at each firm. He is inflexible as it pertains to the following, "entrepreneurs should not spread themselves so thin that they are unable to oversee the operations of the business". He does not advocate portfolio entrepreneurs discontinuing ownership of numerous businesses, but stresses capable employees be utilized to ensure success. He explained this by indicating one of his managers was very capable at his largest liquor store, and it was successful; the remaining managers were weak and the firms failed. While the firms were operational, he failed to see these antecedents involving poor managerial function; it was only after the terminus to failure had been crossed that he saw this antecedent, yet he knew the effect it would have on his firms, disaster. Other antecedents, which he did recognize and attempted to halt, involved thievery by his employees and customers, inventory control problems, attempting to expand operations too rapidly, and competition. These antecedents were the small failures referred to by Cannon and Edmonson (2005), who called them early warning signs, and the trigger to provide management with a wake-up call to prevent a disaster. Entrepreneur B did admit that after attempting to work with these small failures occurring around him daily, he reached the point at which he no longer cared, and divesting himself of the firms became his goal.

One of the common antecedents of retail failure, poor location (Watson & Everett, 1999; Azoulay & Shane, 2001; Parsa, Self, Njite, & King, 2005), was disputed by Entrepreneur B when he stated all of his businesses were in good locations, and two were actually in excellent locations. An additional antecedent to failure, a lack of financial resources, was also recanted by Entrepreneur B. He was capable of transferring funds from his motel or borrowing all of the funds necessary for his firms. In short, money and location were not perceived to be fatal problems.

As to his perception of the antecedents of failure, he believes entrepreneurs will be aware of theft or some other manifestation of malfeasance much quicker than they will when the antecedent is mismanagement. Entrepreneurs may choose to overlook mismanagement, instead blaming it on something else, perhaps managers or employees or just bad luck. Regardless of his perceptions to these antecedents of failure, he indicated he was aware there were problems in his failed firms but chose to overlook them until it was too late, an obvious breakdown in managerial function.

7.3.3 Entrepreneur C – Service Industry

Entrepreneur C is an entrepreneur who is reluctant to admit a failure occurred in one of her businesses, but she is aware there are certain antecedents to failure that will appear prior to a discontinuance of business. Her style of entrepreneurship has allowed her to build businesses as the need arose, and she became aware of that need. Her ability at opportunity recognition is exceptional, and as she has owned a range of firms which were built when she recognized a need. Her newest venture, the airport cart rental business is very successful yet she continues to look for new openings in the entrepreneurial world. The failure she experienced involved her valet parking business. She is reluctant to admit it was a failure. She had the following to say when asked what constitutes a failure:

> "You didn't get out of it in time. If a person shuts the door on the business and it cost you money to do so, then that's a failure. Closing Lady Valet Parking costs me nothing, so I don't consider it a failure. It didn't cost me anything to stop operations; I didn't owe anything, so I didn't fail".

Despite her own perceptions, based on the premise there are certain antecedents prior to a failure, and based on the definition used in this thesis, her firm failed.

In spite of denying a failure occurred in her entrepreneurial experience, she was able to describe circumstances that amounted to the antecedents to failure. Her first antecedent is a lack of focus on the part of the entrepreneur. In that lack of focus, she includes a failure on the part of the entrepreneur to dedicate sufficient resources as well as devoting sufficient time to the endeavor. A part of this premise concerns the fact people will abandon a project without investing sufficient time into the effort. She states, "They are more willing to abandon the project than they are to work to save the project". This shows a lack of dedication and allegiance as they jump from one project to another; "they are always looking for greener pastures". She has also concluded, when a firm is not performing as planned, changes must be put into place in a timely manner or failure will occur. Another of her analogies is that entrepreneurs often judge their own abilities based on how other entrepreneurs are performing. She states they are more concerned with what their peers are doing rather than how they are doing in their own firm.

Small failures, which occur as antecedents to failure of the entire firm were not a problem in her parking firm, according to Entrepreneur C. She states there were very few problems, and her principal problem was ensuring sufficient numbers of employees were available at each job. As one investigates her closing, it is somewhat apparent there may have been a lack of managerial supervision as she was occupied attempting to start new businesses and operating her other firms. As she implied, travels to the far reaches of the United States promoting her cart business had taken her away from her local businesses, and she was reluctant to rely on managers for assistance. In a manner consistent with her demeanor, she had the following to say about failure and her perception of both the failure and the antecedents to the failure:

> "Somewhere down the road I'm going to lose, and lose big, where if I had been on my toes I could have recouped my investment, then this is my fault and it would be a negative event. This goes back to what I told you earlier about staying focused and being aware of everything that goes on around you and your companies. I'm saying that this could have been avoided by me reading the tea leaves, seeing the trends, the economic trends that would impact that business."

7.3.4 Entrepreneur D – Service Firms and Inventor

Entrepreneur D is a portfolio entrepreneur who has experience with numerous failures in an assortment of businesses he started. Of the five entrepreneurs in this study, Entrepreneur D has experienced a wider variety of failures than any others, and his attitude towards failure and the antecedents of failure are different than the other entrepreneurs. The failures he has experienced occurred due to an assortment of reasons including the entrepreneur failing to secure his equipment properly, and it fell from the truck striking a bicyclist; another involved a business in which all of his equipment was stolen, since he had failed to lock the doors of the trunk properly; another failed due to his misstep in working through proper channels at a major U.S.

retailer. He has lost ownership of his home due to poor business practices, and there are other failures experienced by Entrepreneur D. Yet throughout all of them, he has never experienced a desire to stop working as an entrepreneur. If anything, his failures have pushed him harder towards attempting to achieve success.

Entrepreneur D stated he recognized few antecedents to failure at the time the failure was occurring; however, in hindsight he states, "As I look back, I see that there were some signs (of failure) but most of that involved me". The involvement he refers to is his own lack of focus. About this, he said:

> "I was more interested in doing something else, and I was not paying as much attention to the company as I should. As far as big signs that stated, 'this company is about to fail', there was none of that… I am not devoting enough time to my companies once they get started. I am always looking for another opportunity and as I look at this…, maybe I need to devote myself more to my ventures".

Some of the antecedents to failure which Entrepreneur D does recognize include cash flow problems, an inability to attract outside investors, and a slowdown in business. None of the more obvious signs of failure have occurred in his businesses, according to Entrepreneur D. The lack of early warning signs, or perhaps his failure to recognize signs of failure, has prompted him to state the following:

> "The death throes always occurred in my companies…prior to me having the opportunity to shut them down in order to create a new company".

Even though Entrepreneur D stated there were few, if any, antecedents in his businesses, he refutes this with his own statements, which indicate there were antecedents to failure occurring, but he chose to ignore them and, therefore, cannot discuss them as being prevalent in his firms.

> "I think that business people in general choose to ignore problems. I am not an exception to this. We all feel that if problems become too prevalent then we will do something about them, but small problems

> that perhaps will ultimately lead to failure are ignored a great deal of the time."

A failure in one's firm, such as Entrepreneur C experienced, will prompt an owner to offer a myriad of excuses as to why the firm failed, or why it was someone else's problem. In the case of Entrepreneur D, he readily admits, "Even though my companies were discontinued, I don't consider them a closure, I consider them a failure". This attitude sets this entrepreneur apart from most others and the following statement sums up his thoughts on the antecedents to failure, his perception of those antecedents, and what one must do to avoid failure:

> "If we don't use the small failures as steering mechanisms to change the vision or the direction of the company, it will lead to catastrophic failure. If you take the small ones and use them to steer the vision, you could possibly avert catastrophic failure. If you ignore the little stuff you're going to get nailed. Little events tend to be swept under the carpet, ignored. If I have a problem with one of my employees, immediately that has to be handled. I cannot overlook anything like this as it will grow and become big. Put your problems behind you every day and then you don't have to worry about this. I also believe that if you don't handle a small problem as it arises, an unrelated problem will arise and increase the damage from that first problem that you ignored. If you own a business that provides a service and you start getting feedback that your (service is) not up to par, you'd better correct it immediately."

Entrepreneur D has experienced more failures than all of the other entrepreneurs combined in this study, yet he appears less concerned than any of the others. He considers a failure as one of the basic components of business. His ability to ignore the antecedents has caused the failure of several firms, and in spite of those failures he states, "I never looked at any of this as a personal failure. It is just one of those things that happen".

7.3.5 Entrepreneur E –Developer and Attorney

Antecedents to failure and the failure of his firm are a subject Entrepreneur E indicated he was not comfortable discussing. However, he did offer some insight into the antecedents of his failure and his perception of those antecedents, attributing the failure to a lack of managerial function, not on his part but to others, including his partners and their managers.

According to Entrepreneur E, the primary antecedent to failure for most entrepreneurs is a lack of cash flow or funding. Managerial breakdowns were the second most prevalent. His opinion was his firms did not experience a cash flow problem; however, this could have been due to the owners contributing money on a regular basis. He referred to this as startup capital, yet these contributions continued until businesses closed. A lack of managerial function or managerial ineptness, as he stated it, was the major problem experienced by the restaurant chain. He had the following to say about the managerial problems in his firm:

> "It really was fun, but I should have depended more on my managers and left the operations to those individuals who knew what they were doing. It was an expensive lesson".

Other antecedents to failure were recognized after the closing, and Entrepreneur E had the following to say concerning those precursors:

> "There were small problems that seem to increase on a regular basis. At first we chalked these to growing pains in the fact that we were brand-new, but as time passed new problems arose almost daily, everything from advertising to waiters and waitresses, to cooks, you name it, we began to have trouble. You know, as I sit here and talk about this, I'm almost having an epiphany. Perhaps we should have been more aware of what was happening right under our noses."

In addition to these small problems, Entrepreneur E is cognizant of additional reasons for failure, some of which he does not refer to as antecedents but more so as causes. These causes include events outside the control of the entrepreneur, and often occur prior to internal incidents. These, according to him, include government regulations or a catastrophic failure, such as hurricane Katrina which struck the Mississippi Gulf Coast and New Orleans. Also, he sees entrepreneurial breakdown as a cause, but states neither this particular antecedent nor any of the others he mentioned were evident in the failure of his businesses.

As a result of his failure in the restaurant business, he has the following to say concerning his awareness of recognizing antecedents to failure:

> "Sometimes we entrepreneurs feel like we are bulletproof, especially when everything we've done has been successful. As a result of the restaurants failure, I am more aware of the smaller events that take place, but more than recognizing them, I am recognizing them earlier. I think that part of the problem we have as business owners is that we sometimes tend to overlook problems thinking that they will go away in time. This is exactly the opposite of the truth. Problems do not go away in time, they only get larger. I sure hope that's the last question you asked me about my business failing."

7.4 Summation of the antecedents and perceptions of business failure

7.4.1 What was the primary cause of the failure?

Four of the five entrepreneurs credit a lack of interest or a lack of focus on their part as the primary cause of the downfall of their respective firms with one attributing the failure to a poor managerial function. As one deliberates the differences in these reasons, it becomes obvious; they are all a deficiency in managerial function. This concurs with a finding by Perry (2002, p. 417) which states:

> “The most frequently cited cause of business failure is the somewhat simplistic and all-encompassing notion of poor management or a poor management team”.

Perry offers numerous citations for this quote, and while it is apparent many researchers agree with this definition, very few seemed to agree what the term "bad management" actually means. Argenti reinforces this statement with the following quote:

> "While everyone agrees that bad management is the prime cause of failure no one agrees what `bad management' means nor how it can be recognized except that after the company has collapsed - then everyone agrees how badly managed it was" (1976, p. 3).

7.4.2 What were the secondary causes of the failure?

Some of the additional causes of failure beside bad management could be attributed to the lack of managerial function, the primary cause of the failure; however, it is important to document any additional problems that were arising. These problems can all be considered as part of the small internal failures. Working outside of one's scope was a major problem for Entrepreneur A and Entrepreneur E. Both of these individuals indicated the failed firm was so different from their usual firms it caused problems from the outset of the new firm. As one analyzes the various firms in which the five entrepreneurs engaged, it is apparent all of the entrepreneur's failed firms were outside the scope of their normal businesses; however, only two of the five entrepreneurs stated they were affected by this occurrence. In some cases, it is hard to determine what the "normal" scope of business would be for the entrepreneur. Entrepreneur C owns firms that are entirely unrelated to each other, and Entrepreneur D has been involved in everything from plumbing to inventing products, and now owns a closet installation firm. One would assume these two entrepreneurs could perceive a problem with their diversity, but neither indicated any problems whatsoever. Other secondary problems, all of which are as important as any others, include weak management teams, theft both by employees and customers, inventory control problems, rapid growth, competition, a lack of employee resources, failure by the entrepreneur and, finally, as Entrepreneur E so aptly stated, "Entrepreneurs feel like we are bulletproof".

7.4.3 Were the problems internal or external to the firm?

Baumard and Starbuck (2005) stated after a failure occurs external events begin to appear as the reason for a firm's failure. If a firm is enjoying great success, internal events are the main focus as the foundation of that success. Contrary to this statement, a majority of the problems indicated by the entrepreneurs were internal problems. The identification of the internal problems is based on the findings of the European Federation of Accountants (2004) when they described the various factors that make up the internal and external factors of failure. All of the internal factors the EFA listed matched those of the interviewed entrepreneurs. The only external factors that match the Federation include low price competitors, and catastrophic and unpredictable events. Only two of the five entrepreneurs included these two external factors as being a problem for them. Entrepreneur B mentioned competitors, but Entrepreneur D is singled out as being affected greatly by catastrophic and unpredictable events. It, therefore, can be assumed a majority of the problems plaguing the five entrepreneurs were internal factors of failure, often brought on by their own shortcomings.

Public image is of immense importance to many individuals; therefore, in the aftermath of failure, stress can be felt as one labors to save their image. This was not the case with these five entrepreneurs; they made no effort to "save face" by placing blame on others or attempting to become a victim of circumstance as some authors have indicated (Zacharakis, Meyer, & DeCastro, 1999). This includes Entrepreneur D, who has been a victim of circumstance but chooses not to accept that, instead placing blame on himself.

7.4.4 Did the entrepreneur recognize potential problems?

McMillan (1986) stated portfolio entrepreneurs or business generators, as he called them, had many opportunities at attempting businesses, and after several attempts, they would be able to recognize their mistakes and correct them in their future ventures. Cannon (2005) predicted if one fails to recognize warning signals or interprets these potential problems as something that will go away, that entrepreneur is facing a catastrophic failure. In the case of these five entrepreneurs, all were guilty of thinking the small failures they were witnessing would fade away. Some chose to ignore problems; others just failed to see them. Entrepreneur A was oblivious to his own lack of managerial function, and it was his manager who pointed this out to him. Entrepreneur B indicated the antecedents to his failure were very gradual, and he failed to perceive them. Once he noticed them, he no longer cared. Entrepreneur C stated there were very few antecedents, very few problems, and she was aware of those that were present; however, she does state she was not paying attention to her firm but was busy attempting to start a new enterprise. Entrepreneur D was usually caught unaware when failure struck. Equipment was stolen and lawsuits destroyed his firms, yet he still admits he was not paying attention to his firms and was not aware failure was imminent. Entrepreneur E stated there were small problems, and they were increasing on a regular basis. As he states, "we chalked these to growing pains". Entrepreneur E and his management team chose to ignore the small problems and, as a result, he failed. McMillan was partially correct, the entrepreneurs did see the problems as they arose, but chose to ignore them, but Cannon was correct in his assessment that small problems will begin to arise, and the entrepreneur will choose to ignore them.

7.4.5 What measures were taken to avoid failure?

The short answer to this question is, very little. All five of the entrepreneurs either chose to allow their firms to spiral downward or were unable to stop the decline. Entrepreneur A made no effort to sell his firm or to salvage any assets; he simply walked away. Entrepreneur B utilized the exit strategies of selling out and closure. Ultimately, all of the property was sold, but some of the businesses were allowed to close while others were sold at reduced prices. Entrepreneur C closed her firm and took no measures to avoid failure. She made a decision it was time for the firm to discontinue operations, and that was the end of the business. Entrepreneur D stated he had very little control over his failures and, as he states:

> "The death throes always occurred in my companies…prior to me having the opportunity to shut them down in order to create a new company".

Once Entrepreneur E realized a catastrophic failure was ahead, he did nothing to avoid the inevitable; the firms closed. Perhaps this failure to put measures in place to save the firms was due to a desire on the part of the entrepreneurs to end what may have been a business not as successful as their other firms. Researchers and entrepreneurs alike know it is imperative to seek advice from others when major issues and problems arise, but often, according to Barker (2005), managers often have problems viewing their own organizations without bias.

7.5 Exit strategies for divesting an unwanted firm and the entrepreneurial perceptions of the exit strategies

7.5.1 Introduction

One inescapable component of a business life cycle is a discontinuance of the business, either due to failure or to a decision simply to close the firm and redirect the use of the resources being utilized there. Entrepreneurs often design an exit strategy to maximize efficiencies and resources of their business, thus enabling them to retain as much as possible of those assets to use in a new venture (Headd, 2003). The ideal time for the use of exit strategies would be while the firm is earning a profit and prior to amassing large amounts of debt (Headd, 2003). However, this is not always possible; a failure will occur and the resources of the firm cease to exist. It is for this reason exit strategies must be considered that will ensure a smooth discontinuance of a business. The strategies analyzed in this thesis for divesting oneself of an unwanted business are bankruptcy, closure, a sell out, and creative destruction. Much has been written about exit strategies and the reasons entrepreneurs utilize them. Headd (2003, p. 51) says:

> "To achieve success, entrepreneurs strive to continue in business or to close or sell while the business is making a profit and before losses pile up. Designing an exit strategy and moving on to other opportunities facilitates this process of a positive exit".

This section will investigate the manner in which interviewees perceived exit strategies. Do they see them as veiled methods to escape failure or to turn a failure into a closure, or are they legitimate business methods someone in business should utilize when the time is right? Also, the research will explore whether a closure can be considered a failure.

7.5.2 Exit strategies utilized in the case studies

An investigation into exit strategies must begin with a recap of the tactics employed by the five interviewed entrepreneurs. They all utilized closure as a strategy for discontinuance, with Entrepreneur B also using a sellout for an additional business he did not close. According to the entrepreneurs, in spite of them all utilizing a closure, selling out was their preferred strategy. When questioned about this preference of selling out, each of the entrepreneurs offered varying reasons, but a common thread existed throughout their discussions, money. All of them equated selling out to making money. The exception to this profit perspective was Entrepreneur B, who approached this from the point of view, not how much could be made but how much could potentially be saved, if the business was a losing proposition. Of the four exit strategies investigated, sellout was the sole strategy that ended with an absolute positive outcome. The entrepreneurs did state their closings were all positive, but their opinions should be considered an effort to "save face". This is not to say the strategy of closing was not positive, but it was positive in a way which allowed the entrepreneurs a freedom from a nonperforming firm each so badly desired.

Another strategy which was common to all five entrepreneurs was a lack of the use of bankruptcy. As was with the case of selling out, all of the entrepreneurs deemed bankruptcy as a viable tool to assist in exiting an unwanted business. Four of the five stated if they ever initiated a bankruptcy proceeding, they would still feel compelled to repay any debts that were removed in the procedure. The purpose of bankruptcy is to exorcise the unpayable debts of the filing party. Even though the four state every attempt would be made to repay debts, it is unlikely this would be the case. According to the United States Bankruptcy Courts, during a 12 month period ending September 30, 2007, there were a total of 801,269 bankruptcy filings in the United States; of these, 25,925 were business filings, and there are no statistics indicating how much of the debt was repaid after the filing. Entrepreneur E is the only entrepreneur who indicated he would not repay any bankruptcy debt.

Three of the five entrepreneurs agreed on another exit strategy as being viable, creative destruction. Their comments ranged from it being the only way the economy can grow, and creative destruction being second only to the sellout as a strategy. The two dissenting entrepreneurs, Entrepreneur A and Entrepreneur D, were concerned the process would reverse all of the efforts of the entrepreneur. Entrepreneur A has seen creative destruction in the airline industry and does not feel it has proven successful. Entrepreneur D equates building a business with one's brand name, and he is concerned if the business is destroyed, the brand name would go with it. There is an ongoing discussion among researchers as to the benefits and liabilities of creative destruction. Knott and Posen (2005) argued the strategy is good for the economy while others, such as Meckstroth (2005), claim creative destruction is causing a serious decline in available jobs. Entrepreneur B is a rapt proponent of the strategy, having utilized it in the past, and believes communities must utilize creative destruction to maintain their viability.

By placing a focus on closure, one seeks to contest the widely held belief that new firm closure rates are extraordinarily high, and a closure is a negative event. Studies have shown by utilizing an effective exit strategy, one can turn the perceived negative event into a positive event. Stokes and Blackburn (2002) analyzed failure from a positive standpoint. They questioned entrepreneurs and were unable to ascertain closure is not necessarily a negative event; 62 percent of their respondents opened new businesses and 70 percent were positively encouraged by the experience. The question is, therefore, perhaps by having an exit strategy in place and by moving on to new achievements, entrepreneurs can avoid the negative effects of failure. The five entrepreneurs are in total agreement their use of exit strategies ended positively with Entrepreneur E stating, in spite of a positive ending for his portfolio, he still felt negativity personally because he knows he failed.

Entrepreneur A - Aviation

The use of exit strategies, according to Entrepreneur A, is a viable and acceptable business practice. When his insurance business began to falter, he chose closure for his optimal exit strategy. Ironically, his first option for a divestiture of a firm would be a sell out, but, contrary to his own opinion, he chose closure. He had the following to say about utilizing exit strategies:

> "I think that (using exit strategies) is good business. Other people may not feel the same way I do about this, but it is important to protect oneself if an exit is necessary. The other entrepreneurs may not agree with my statement, but I have been disagreed with before. If a closure is inevitable, then an entrepreneur would be foolish not to protect his investment."

Entrepreneur B - Tourism

Exit strategies, according to Entrepreneur B, are an acceptable business practice and when utilized properly, can lead to greater success within ones portfolio. Of the four exit strategies being investigated, Entrepreneur B has utilized both a sellout and closure.

> "I think that a person who closes the business down voluntarily, is a pretty smart businessman; but if the bank or the government closes you down, and you have no choice, that's a whole different thing. If you see the handwriting on the wall and continue to lose money in the form of the mortgage payment, insurance, and taxes, as opposed to not having to pay salaries, workman's comp, and all that, and you are still losing money, I think it's a good decision to close it if you have to. It takes a smart businessman, in my estimation, to make that hard decision."

Entrepreneur C - Service Industry

Entrepreneur C has only utilized one of the four exit strategies under investigation. Closure was her chosen approach, and she is adamant the closure of her parking service was not a failure since she lost no money on the enterprise. She refers to it as simply a discontinuance of business, claiming it was a positive exit and could be reopened at any time, thus the belief, it was not a failure.

Entrepreneur D – Service Firms and Inventor

The views concerning exit strategies, as expressed by Entrepreneur D, are as pragmatic as the entrepreneur himself.

> "I think every entrepreneur is constantly on the lookout for new opportunities and if the new opportunity can only be achieved by engaging in an exit strategy in order to free up resources, then by all means all entrepreneurs would be willing to carry out an exit strategy, myself included. If a bigger opportunity comes along, I am more than willing to carry out an exit strategy in order to free up resources."

Closure is the only exit strategy he has used, and on several occasions, it was not his choice to close, but it was done so out of necessity.

Entrepreneur E –Developer and Attorney

Closure was the exit strategy utilized by Entrepreneur E as he divested himself from a group of failed restaurants. Opportunity recognition is often the impetus behind utilization of an exit strategy, according to Entrepreneur E.

> "A business person would not be much of a business person if he fails to watch for other opportunities. As to closing down a viable business in order to move those resources, I feel certain that this happens quite often... Business people are constantly selling their companies in order to reinvest their money into more profitable companies. In fact, people that I know have filed bankruptcy in order to preserve their resources and when the filing was completed, they reinvested in more lucrative enterprise. I have done the same thing, not bankruptcy, but selling a company in order to get my money out."

7.5.3 Bankruptcy

Entrepreneur A

Entrepreneur A has never filed for bankruptcy.

> "I think that bankruptcy is a viable way out, but I think it should be a last resort. It is certainly an exit strategy any company should be allowed to utilize. I have never had a bankruptcy, and hope that I never do. One of the problems that I see with bankruptcy is that people who trusted you and your company are usually the ones to suffer the most. Rarely does anyone pay back debts that bankruptcy clears. I think of people like Donald Trump who has sought protection on more than one occasion. Surely, many small businesspeople suffer unduly as a result of his bankruptcy. I think that in the United Kingdom, if any company files a bankruptcy, that is the end of the company, perhaps that should be the case here also."

Entrepreneur B

Entrepreneur B has never filed for bankruptcy, but on one occasion, he was in close proximity to filing, going so far as to meeting with a bankruptcy attorney. About that meeting, he had the following to say:

> "When you talk to a bankruptcy attorney it makes a very lasting impression, and I tell my boys every day, "I don't want you to ever be where I was". This is why you have to be conservative and frugal. Just because you can do it, don't do it."

In an attempt to "save face" and embarrassment, the attorney he met with was located outside of his home area. This, he said, was done to avoid having problems with his friends and his peers. Bankruptcy is something Entrepreneur B feels strongly about and offered his opinion, as follows:

> "Thank goodness, I have never had to do that, but I think it is a necessary evil for some people that in order for them to save some of what they have that is good.... I do think that bankruptcy is something that you have to do if you get in a situation where your bills are such

that you cannot afford to continue in business. You have to protect what you have that is working. If you lose it to someone else, they're going to sell your business and make money on, so it is better to file and save your assets."

Entrepreneur C

Entrepreneur C has never filed for bankruptcy protection. According to Entrepreneur C, bankruptcy is considered a naturally occurring phenomenon in her business career that will occur only when every other avenue of divestiture has been exhausted. She is not averse to others filing for protection when it is needed but should only be utilized cautiously. If an individual is compelled to file bankruptcy she believes the funds owed by the unsuccessful company are still due and every effort should be made to pay those debts. This, of course, is contrary to the laws which have been established under the bankruptcy code.

> "If we all filed bankruptcy, nobody would be able to stay in business it would be a top to bottom failure as everyone went broke…In my opinion a person has to keep plugging along and figure these things out and do everything they can to avoid bankruptcy…I don't disregard or disrespect people personally, that have had to file, but for me personally it is totally unacceptable…I do believe that if a person does it once, they are prone to do it again, and that is a problem for everyone…I have had some rough times, but I never had to file bankruptcy, ever. There were times that I was not able to rub two nickels together, but I still made it."

Entrepreneur D

This exit strategy is the least favorable, according to Entrepreneur D. He is very much opposed to individuals taking risks and then turning to the court system to divest themselves of a liability. He has not utilized bankruptcy as an exit strategy and, if able in the future, he never will. He has the following to say concerning bankruptcy code:

> "I could never see doing that. If anyone could have filed bankruptcy, or should have filed bankruptcy it should have been me. I lost my

> house and a lot of other things in order to pay my debts so I think I have proven that bankruptcy is not an option for me. To me telling someone, "oops, I made a mistake, and I will not be able to pay you", is not an option for me… I'll be honest; I have never even contemplated filing bankruptcy. I could not live with myself, I could not sleep at night, it would drive me crazy if I filed bankruptcy."

Entrepreneur E

Entrepreneur E has never filed for protection utilizing bankruptcy. As an attorney, he has first-hand knowledge of bankruptcy and asserts it was created out of a common good to protect entrepreneurs from devastation. He is quick to point out he would utilize bankruptcy if it became necessary to protect his assets.

> "I have represented many people who have had to file, and it is not always a nice thing. Most people think that when an individual files bankruptcy he just walked away and everyone else gets stuck. Sometimes this is true, but most of the time the individuals that have to file are conscientious, hard working people who simply had a bad break…Bankruptcy was created to protect those people who get into trouble, and I believe it is there for a good reason. I hope that I never have to use it, but if I do you can believe it, I will."

<u>7.5.4 Closure</u>

Entrepreneur A

Closure is the exit strategy utilized by Entrepreneur A when his insurance business failed.

> "This too is a viable exit strategy, and I agree with this one also. If a person's tired of running a business, and he can afford to simply walk away from it, have at it. The downside to this, in my opinion, is that employees often suffer as a result of losing their jobs. If you are to the point of not exercising that diligence, not exercising that passion, because you have lost it, there comes a time for your own mental and

> physical health that you have to do something different, and I believe closure is a good way, if you can afford it."

Entrepreneur B

Closure is an exit strategy which Entrepreneur B utilized, even though he does not advocate its use. He does realize sometimes there is no alternative to a closure, but anything that can be done to salvage a business in an attempt to accomplish a sellout should be undertaken.

> "I don't believe that that's a strategy that I would want to use, if I had a choice. Number one if you are trying to sell or lease the business, closing the doors makes that nearly impossible. If you're going to sell the business it has to be open for business, clean, and there is nothing worse than a business that is shut down with a bunch of equipment sitting there, not being used. This is definitely not a strategy that I would suggest. I think that even if you have to float the business, even with something else paying the bills, for a year or so, then that's the way to do it, and then sell out."

Entrepreneur C

Closure is the exit strategy of choice for Entrepreneur C. She has utilized this exit strategy and believes it is the most appropriate for a person to exit a business they have grown tired of or has stopped being profitable. Her attitude towards closure was almost dismissive as she described her experience.

> "I have done that myself. When business doesn't make sense anymore, or you are losing money, there comes a time that a business needs to end, and yes, I did exactly that. As I told you had seven businesses, all running concurrently (and) there were times when I saw that it didn't make sense anymore…The business itself was of no concern to me once it stopped being profitable and interesting. I could not put the time into it that it required, I made the decision not to do it anymore. The reason I closed down Lady Valet Parking, is a classic example of just shutting down a business and walking away…Of course it doesn't make me happy to close down a business,

> but as I've already told you, it was time for Lady Valet Parking to close. You keep referring to this as a failure."

Entrepreneur D

Entrepreneur D referred to the closures of his firms as discontinuances, and chose to consider them a failure. Forces beyond his control such as lawsuits, theft of equipment, and other events caused his firms to fail, and he "shut the doors", according to Entrepreneur D. He initially did not consider this a closure. He stated, "It would be weird for me to do something like that". He did propose, in spite of his primary beliefs, the following:

> "I might feel a bit different about closing the doors. If you have a real dog of a business, and just continuously lost money, eventually you're going to have to get rid of it and if you can't sell it, I guess you would have to close the doors. If I had an ongoing business that was losing money, losing money, I would just shut the doors, and leave."

Entrepreneur E

Four restaurants were in the portfolio of Entrepreneur E when the decision was made to cease operations. A closure was the exit strategy chosen by the owners. A sellout was not considered due to complications concerning pricing for the useless restaurants. The closure was considered a failure by Entrepreneur E, and he carries resentment about this event. It is apparent blame for the closure is directed towards the various owners, all of the managers, and even bad luck. Closure seemed to be very personal for Entrepreneur E as they closed the doors and walked away. The following are his comments concerning that closure:

> "When my restaurants closed, I thought that was the end of the world for me, but within a few weeks, I was looking again. Failure will not stop an entrepreneur, they will only work that much harder, and hopefully with their new found knowledge based on the failure, they will be successful in their next venture."

7.5.5 Selling out

Entrepreneur A

This option, according to Entrepreneur A, is the most practicable option, and according to him, it is the best option available for an exit strategy.

> "That (selling out) is a viable option, probably the best option. I do think that selling out may drive an entrepreneur crazy if he has to sell their business to someone else, because they are not going to run it the same way the entrepreneur built the company. I know in my case, I worked so hard to build my businesses just the way I wanted them, and for someone else to come in and start making changes immediately would be very hard on me. I realize that I have their money in my pocket, but there is still a certain amount of pride that goes into my ownership of the companies that I worked on. It is always going to be the case of me looking and saying that he is not doing this right, you should be doing it this way. I guess a normal person would like to sell a company and leave there with a great deal of money, but I am different, as you can tell from this interview, money is not everything to me."

Entrepreneur B

Entrepreneur B has utilized a sellout during his entrepreneurial career. This was done, not to reassign resources, but in an effort to save the other firms in his portfolio. The firms he sold were costing him both financial and personal resources, and he realized he must divest himself of the underperforming firms to be successful. He states one should not consider a sellout until great consideration has been given to the process. He says:

> "I think you have to evaluate whether you are willing to make money, or just breakeven or even lose money when you sell. If you're going to lose money, and you have been losing money every month anyhow, then you need to figure out that if you are going to sit on the business for another 12 months, and tried to get full price, how much am I going to lose in between with taxes and insurance, salaries and all

> that…. I think that you need to know what you are willing to accept (as a sale price) and get out as quick as you can."

Entrepreneur C

Entrepreneur C is an advocate of selling a business. She personally has never sold one of her businesses but would not retreat from an offer. As long as her businesses remain interesting and profitable, she will stay active and retain her ownership, but if the right opportunity for selling out presents itself, she would certainly give the offer great consideration. She had the following to say about selling out:

> "If you can get a good price for it, sell it. Go and start something else…I'm all for anyone who is smart enough to get the business running well and then have enough sense to sell it. I think it's fabulous, especially if you can get paid whatever it is you want to make."

Entrepreneur D

A sellout was the preferred exit strategy for Entrepreneur D. He has no problem with anyone, including himself, selling their businesses. He is currently in the process of building a new business which is still in its infancy; however, when asked if some one had a desire to purchase the firm, now during its infancy, his answer was brief, "I'm gone". He explained his comment by stating the following:

> "It would please me greatly if I could get this closet business up and running great guns and someone come along and buy me out. This would free me up to pursue some other dreams…I like to think about these technological firms like Google or HP who have built these companies, gone public, and sold out for billions of dollars. There's nothing wrong with that at all."

Entrepreneur E

Selling out is the most acceptable exit strategy, according to Entrepreneur E. He advocates this approach to maximize resources and is not overly concerned with the outcome of the sale and its effect on employees of the firm. He states, in the future, all of his businesses will be for sale, just not now. He enjoys his ownership, and, as he puts it, he is "having too much fun".

> "There is nothing wrong with selling the company. People tend to think that they must retain ownership of their companies, perhaps for their children, or for the welfare of their employees. Neither one of these are good reasons to keep the company…Business people are constantly selling their companies in order to reinvest their money into more profitable companies."

<u>7.5.6 Creative destruction</u>

The term "creative destruction" was coined by Schumpeter (1950) and was described in the literature review chapter on failure, but due to its importance in the examination of failure, it warranted additional examination during the interview process.

Only one of the entrepreneurs has utilized creative destruction in his entrepreneurial activities, Entrepreneur B. The remaining individuals are all aware of the use for this exit strategy, and their opinions are totally mixed as to whether they could make themselves utilize this as a strategy.

Entrepreneur A

Creative destruction is not an exit strategy Entrepreneur A would utilize.

> "For me, this would not be a viable exit strategy…If the company is making money and doing well, I can't see closing it down in order to make a bit more money. Move the new company to a different location, or go to the bank and borrow additional funds, but don't destroy a good company, in order to take further risk. Why not keep that company or just something else. I might not fully understand creative destruction, but I don't particularly like it is due to extensive studies that I have done on airlines. I have seen a lot of airlines run into the ground by creative destruction. And I don't like that."

Entrepreneur B

Creative destruction is an exit strategy Entrepreneur B has utilized during his entrepreneurial career. His opinion of creative destruction is based on his service as a community leader and his ability to see the need for change in the area to maintain its vitality as a leading tourist destination.

> "I think that creative destruction is necessary; perhaps you could call it a necessary evil. I think that it is good…Thanks to creative destruction and getting rid of so many of the rundown, mom-and-pop motels, we have been unable to create a new market here and bring in visitors who have more spendable money. I think that through the years the leaders of this community have realized that it was necessary to bring in new and exciting developments that would attract high rollers. In order to grow with the times we had to have creative destruction. There is no more property available, and people are not content with the old ways that we operated. It was inevitable that creative destruction had to happen and it was a necessity."

Entrepreneur B utilized creative destruction when he purchased an operating restaurant, immediately ceased operations, sold the equipment, remodeled the restaurant into a liquor store, and it became one of the largest retail liquor operations in the area.

Entrepreneur C

This is another exit strategy which Entrepreneur C believes in and would have no reservations about utilizing. According to her, creative destruction is a strategy that makes our country operate, "out with the old, in with the new". She does believe great consideration must be given to every situation prior to destroying a viable asset, but, as she said, she is not afraid to make the hard decisions. About creative destruction, she had the following to say:

> "This would be something that I could believe in. I see it every day in areas up North where dilapidated industrial areas are being replaced. This is what makes our country operate. The key word here is

> creative. You can't go about tearing down companies without giving great thought to it, great consideration must be given to every situation like this prior to destroying any assets. I'm not afraid to make the hard decisions…It is a shame that (creative destruction) would be the vehicle that one would utilize in order to shift resources. I guess if a failure occurred and you were unable to retain some of the resources, it would benefit you to be able to put them into a higher grossing venture."

Entrepreneur D

This is a strategy over which Entrepreneur D had difficulty. He referred to it as cannibalization and could not rationalize how an entrepreneur could expose a viable business to closure in order to build another firm. Asked if he had ever experienced creative destruction or would consider it, he stated the following:

> "Not in my past. The death throes always occurred in my companies that have failed prior to me having the opportunity to shut them down in order to create a new company. I have never destroyed any one of my companies in order to build a new company from the ashes. As to (my) closet company, I do not believe that I would have to go the route of creative destruction in order to expand it, and probably would open another company before I would destroy the one that I have."

Expanding on his opinion, he stated a part of the success of a business is building a brand name, and if one chose to utilize creative destruction then that brand name is also destroyed, and, in his opinion, "that is what you are".

Entrepreneur E

Creative destruction follows closely behind selling out as the primary exit tactic, according to Entrepreneur E. He was acutely aware of the concept of creative destruction and tied its use to his businesses in more ways than just a vehicle to rid oneself of unwanted property. He is of the opinion creative destruction can be utilized within a firm, such as a restaurant, when they remove a successful menu item and replace it with a new one. Maximizing resources is very important to

Entrepreneur E, and he believes creative destruction is the perfect vehicle to achieve that goal. He states the following:

> "It's (creative destruction) certainly is a necessity. We cannot continue to operate year in and year out doing the same thing, selling the same thing, or trying to use worn out facilities. Some of your most successful restaurants change their menu monthly, now realize this doesn't mean tearing down a facility to make room for a new one, but it is a big change to customers and apparently this seems to please them as these restaurants seem to stay full. I will have no problem tearing down one of my apartments when it is depreciated completely on the books and a facility is requiring a lot of upkeep. If that's creative destruction, I believe in it."

7.5.7 Should a closure be considered a failure?

Entrepreneur A

"I would think that maybe a failure is always a closure but a closure is not always a failure". Entrepreneur A offered several examples of why a closure is not always a failure. The most persuasive line of reasoning offered concerned what he called a mom and pop grocery store, and their reason for a discontinuance of business. The owners of the business had grown very old, and with no heirs, they decided to shut the doors. This, he said, should not be considered a failure. These elderly individuals had operated successfully for many years, and they did not desire to have anyone else running the business they had devoted their lives to, so they shut the doors and walked away. According to Entrepreneur A, this is a prime example of a closure not being considered a failure.

Since Entrepreneur A does not deem a closure as necessarily being a failure, another consideration concerns whether the entrepreneur would consider invoking an exit strategy to avoid a failure and the possible embarrassment that would accompany this event. He was quick to remind that his failure in business was a closure, but had he not closed the firm, it would have evolved into a failure. As to the embarrassment that could perhaps accompany a failure, this did not seem to be a consideration for

Entrepreneur A. The exit he accomplished in his failed insurance firm was considered a positive exit and one which enabled Entrepreneur A to devote additional time to his existing businesses and, as a result, he considers himself more successful.

Entrepreneur B

Entrepreneur B does not agree a closure is necessarily a failure. In both his sellout and his closure, he saw it as a positive exit for himself. His thoughts on the closure indicate he was aware his other firms were saved by the divestiture. In addition, he speaks of the education he received from the closure. These lessons have carried forward into his other firms as well as his relationship with his sons, who now operate most of his businesses. According to him, if an entrepreneur is aware of all facets of his firms, failure can be diverted, and avoiding failure should be the goal of every entrepreneur. He had the following to say about his use of an exit strategy:

> "I knew that something had to change; I had a lot of responsibility with my other companies, and the only solution that I could see, and a solution I knew that had to happen, was to sell, take my losses and move on. If anything, after I sold them, I had less stress in my life, and it allowed me more time to concentrate on my successful businesses. I don't really see selling the businesses as a failure; I just see it as doing business as usual. As I told you earlier, in business you have to wrap your arms around the business and make sure that it's successful, and if it's not divest yourself of it and move on. Sometimes decisions like this can be very costly, but you just make the best of it and go on."

Entrepreneur C

Entrepreneur C does not equate closure and failure in any way. A failure occurs, according to her, when one loses resources such as money. If no assets are lost, then there was no failure, only a closure. In discussing her discontinuance of her parking service, she had the following to say:

> "I don't feel that I fail at much. Some people may consider it a failure, but failure is not a word that would jump into my head. If anything,

> the only thoughts that I had that were negative was that, ummm, that didn't go as I anticipated; but I would not be jumping up and down in anger over someone incorrectly stating that I had failed…Any time anyone has a failure in the business it will make them more aware of the mistakes that face entrepreneurs every day. As I told you I don't really feel that closing my company was a failure."

She is convinced closing the parking service was a positive event. When questioned whether this could be construed as a negative exit, she said she would never be involved in a negative exit, and, if necessary, she would have to develop a plan to ensure that the event would be positive. Will she be involved in a negative event in the future? "Not in a million years", according to Entrepreneur C.

Entrepreneur D

Entrepreneur D sees a vast distinction between a closure and a failure. Rather than referring to his discontinuances in business as closures, he deems them as failures. A failure is an occurrence that is beyond the control of the entrepreneur, whereas a closure is a discontinuance in which the entrepreneur simply walks away. His statement follows:

> "The things that I have lost had never involved closing the doors, as such and walking away. In my case the end of business came for me in forces outside of my control such as lawsuits, theft of my equipment, all of these things caused my companies to close. So even though my companies were discontinued, I don't consider them a closure, I consider them a failure. They were no longer viable, and the fact that I am so stubborn, I would find it very hard to close the doors on a company and walk away from it. I think it would be weird for me to do something like that."

In spite of losing his home and numerous businesses, he believes the majority of his failures were positive events and says, "I don't care if I fall a thousand times. I'm going to ultimately be successful".

Entrepreneur E

According to Entrepreneur E, utilization of an exit strategy should be considered a failure when based entirely on Watson and Everett's (1998) definition. However, he continued, personally he would not consider this a failure as it "is good business sense" when one maximizes resources and reinvests them in any business. In spite of his position toward closure and failure, he consistently referred to the closure of his restaurants as a failure.

> "Based on the definition you give it is obvious that this would be considered a failure. Now, if you ask me if I personally feel that this is a failure, I would have to say no. Closing a business through selling or even walking away from it, in order to pull your money out in order to reinvest it, is good business sense. This happens every day and if an entrepreneur is unable to access his money, problems will certainly rise. Sometime today we talked about the lack of capital being a major cause for businesses to close, well this is exactly what I was referring to. If an entrepreneur needs his funds, he will do whatever is necessary to ensure the success of his venture."

By utilizing the exit strategy of closure, Entrepreneur E discovered both positive and negative effects. The failure was negative from his personal standpoint; he failed and lost four firms. From a business standpoint, it was a positive exit in that the outflow of cash ceased and his partners were visibly relieved to be free of these firms.

7.6 Conclusions

Based upon the available literature on the antecedents of failure and the exit strategies utilized by entrepreneurs, nothing separated portfolio entrepreneurs into a category of their own. The research performed in these case studies revealed portfolio entrepreneurs conform, in some cases, to the models of non-portfolio entrepreneurs. This includes their ability to recognize the antecedents to failure, yet they deviate from the norm in their choice of viable exit strategies.

As the research indicates, portfolio entrepreneurs acknowledge the antecedents to failure and recognized them, yet they often choose to ignore the early warning signs which the antecedents present. They are ardent in their desire to divest themselves of firms that are not operating according to the standards they have created for themselves. These standards are based on their own perceptions of how a business should operate and also on the historical specifics of their other businesses. As is the case with all entrepreneurs, according to the literature (Gaskill, Van Auken, & Manning, 1993), portfolio entrepreneurs are subject to ineffective management function, the difference being their willingness to discontinue operations without expending great energies and resources in trying to save those struggling firms.

The literature on exit strategies indicates selling out as the preferred exit strategy among entrepreneurs. According to the portfolio entrepreneurs in this study, this concept is correct. All five stated a sellout is the preferred exit strategy, even though they chose closure to divest their business. Each indicated the difficulty encountered in attempting a sellout far outweighed the benefits a sale would impart; therefore, closure was chosen. This action was contrary to the beliefs they hold. To a non-portfolio entrepreneur, selling out to maximize resources and gain much-needed assets would be preferable, but these reasons are not as significant to the portfolio entrepreneur while convenience and time savings are more important. Their desire to focus their efforts on the successful firms surpasses the need for resources from the underperforming firm. It can, therefore, be assumed the exit strategy closure is the preferred method among portfolio entrepreneurs.

CHAPTER 8

MANAGERIAL ISSUES AND THE SHORT AND LONG TERM EFFECT OF FAILURE ON THE ENTREPRENEUR

8.1 Introduction

This chapter will consider the managerial styles used by the entrepreneurs prior to the failure of their businesses, as well as the dilemmas which developed as the businesses began to deteriorate. Managerial style, when utilized in this context refers to the decisions and judgments a leader will make concerning both their firm and their employees. Also, the investigation will include the effect failure had on the entrepreneur and the remaining firms in their portfolio. An important theme that emerged in the discussions of the effect failure had on the entrepreneur involved learning from failure. This will be investigated thoroughly. As with any negative event, the failure of one's business will impact how a businessperson will perform in the future. The second portion of this chapter will deal with the effect of failure on the future plans of the portfolio entrepreneurs and attempt to discover whether there is a difference in the outcome of failure as experienced by non-portfolio entrepreneurs and the portfolio entrepreneurs analyzed in this study.

8.2 Background of managerial issues

To explore the managerial issues that arose from the failure and the effect of the failure on the entrepreneur and the remaining enterprise.

Gaskill, Van Auken, and Manning (1993) accomplished a longitudinal study in which 182 failed firms were investigated with 130 of those closed, with what was originally considered to be financial problems. Their conclusions contradicted this finding of financial failure and indicated poor managerial function which relates as a managerial issue as the primary reason for the closures. Storey (1982, pp. 39 - 40) stated, research shows that the majority of failures occur due to managerial deficiencies in very new businesses, and continues, 67 percent of failures, as calculated by the official receivers, were due to mismanagement. Another study found one important managerial issue concerns the use of reckless and risky activities by owners and managers when they become overly optimistic and do not believe failure will occur (Cooper, Woo, & Dunkelberg, 1988). Cannon and Edmonson (2005) describe the "chaos" that can ensue subsequent to a collapse; a scenario in which there are insufficient resources to bring together the various managers in an attempt to overcome the problems that are occurring.

There are other authors whose findings disagree with the mismanagement issue. Cope, Cave and Eccles's (2004) findings were in conflict with others when they found many entrepreneurs did not believe mismanagement was a problem for them; there were other factors that contributed. This led Cope, et al to postulate there is a distinction between a business failure and an entrepreneurial failure. This difference of opinion leads one to the study by Zacharias (1999) in which he determined failed entrepreneurs often attribute their failure to external causes such as market conditions and financial problems. Regardless of the conclusions of the various studies, it becomes clear if there were inadequate managerial functions in place during the life of the business, even poorer managerial issues would emerge as the business deteriorated. These derisory functions would then become more of an issue as one tried to explain the reasons for their failure.

8.2.1 Managerial issues

The ability or inability of the entrepreneurs to successfully manage their own affairs, employees, and firms affected all of the entrepreneurs involved in this study. Regardless of the statements rendered by the entrepreneurs, they all ultimately led to the same conclusion; namely, managerial function is a major problem for entrepreneurs.

When asked whether a lack of managerial functions was a major problem, Entrepreneur C stated:

> "Instead of stating a lack of managerial function, I would say it is more a case of a lack of a defined managerial function".

Entrepreneur C went on to explain this quote by asserting a key component of management in any firm involves the delegation of specific duties, and if those duties are not carried out properly, there will be a major breakdown within the firm. If this occurs, it may not be a failure on the part of the entrepreneur, the manager, or his managerial function, but more so a failure on the part of the employee who failed to carry out their assigned tasks. Regardless, this explanation still reeks of a lack of managerial function.

Entrepreneur E originally stated he does not think managerial issues are always the major cause of failure within a firm. He stated it plays a large part in a failure, but a lack of capital is the number one problem, in his opinion. However, when asked whether his restaurants failed due to a lack of funding, he digressed and stated perhaps his failure was a result of poor managerial function, not by him or his partners, but by the managers who were employed to operate the business. He placed the blame on his management team. He did acquiesce and admit a lack of managerial functions is "probably" the major cause of business failure. The remaining three entrepreneurs were adamant in their agreement; managerial issues on their part were the major causes of their business failures. Even Entrepreneur D, who blamed many of his failures on events outside his control, such as theft of equipment, insurance problems etc., agreed many of the problems, even though external, were a result of his own poor managerial performance.

The five entrepreneurs depended on managers at all of the failed businesses. It is important to note, in discussions of managerial issues, each of the entrepreneurs were informed that managerial issues were not directed solely at their hired managers but also towards them. This was something that seemed to be of no consequence to anyone except Entrepreneur E, who indicated his management function is very different from the functions he requires of his managers.

> "My job was to provide funds initially, to purchase the restaurants. I did more than that as I got actively involved in some of the day-to-day operations. As I told you earlier everyone wants to own a restaurant (laughter). The other owners, my partners, also enjoyed being active in it, and the manager's job of course was to handle the day-to-day operation including the employees, ordering supplies, ordering food, banking, all of the day-to-day operations involved in running a restaurant."

It is apparent from his statement he believes his involvement would not have contributed to managerial issues, but he stated he, along with his partners, enjoyed being active in the restaurants. Clearly, he was a part of the managerial functions.

Entrepreneur A and Entrepreneur B had numerous commentaries concerning the managers that worked for them. Entrepreneur A chose not to blame his manager for the downfall of the insurance firm. It was, according to him, his own lack of managerial function in the form of a lack of interest in the firm. Entrepreneur B was the most pragmatic about managerial issues. When he launched his first business, a motel, he and his wife were both the owners and operators with no management team in place. He states he learned valuable lessons concerning managerial issues since any missteps in the motel business could not be blamed on anyone other than himself. He carried this belief into his other businesses, and as management teams were hired, his managerial style evolved into one which allowed him the flexibility necessary to supervise several managers, all of whom had different styles. He was hasty to point out the first problems occurring in his failed businesses always centered on a lack of management ability, sometimes his own, and other times his hired managers. Neither Entrepreneur A nor Entrepreneur B was willing to place the blame for their failings on others or on external factors, and shouldered the responsibility personally. This finding is in conflict with the findings of Rosa, Carter and Hamilton (1996, p. 468) when they interviewed 600 Scottish and English small business owner-managers, 300 of each gender. They found most business people tend to blame external factors for their possible shortcomings rather than accepting blame for their own internal failure. This finding should not be construed as being a definitive argument downplaying the findings of the Rosa et al study since only two individuals commented on this occurrence.

8.2.2 Agency issues

Based on the interviews, agency theory should be considered an issue for any business owner depending on employees to work for or manage their firms.

> "Agency theory deals with the motivation of human behavior, which is aligning principal (the "buyer" of a good or service) and agent (the provider of that good or service) interests through the use of agency controls (i.e., incentives or monitoring)" (Fong & Tosi, 2007, p. 161).

Agency theory is directed at the overarching relationship that exists when one party, usually referred to as the principal delegates duties to another person, the agent who is then expected to perform the work.

> "Agency theory is concerned with resolving two problems that can occur in agency relationships. The first is the agency problem that arises when (a) the desires or goals of the principal and agent conflict and (b) it is difficult or expensive for the principle to verify what the agent is actually doing. The problem here is that the principal cannot verify that the agent has behaved appropriately. The second is the problem of risk sharing that arises when the principal and agent have different attitudes towards risk. The problem here is that the principle and the agent may prefer different actions because of the different risk preferences" (Eisenhardt, 1989a, p. 58).

All business owners required to have employees are faced with the dilemma of agency theory. It is up to the individual owner as to how they can best handle the problems that arise from agency problems. Each must be aware of the potential troubles and should have agency controls in place to offset the negative results that often occur.

8.2.3 Managerial styles

To fully understand the managerial issues involved in this study, an analysis of each entrepreneur allowed a determination of the various styles utilized by the entrepreneurs and the opportunity to compare each with the others. An important factor concerning managerial style involved Entrepreneur B, who utilized varying styles of management depending on the business; this is contrary to all of the remaining entrepreneurs who chose to use the same managerial style throughout all of their operations.

Entrepreneur A

Due to the failure of his insurance business, Entrepreneur A determined that it was easier for him to do things himself rather than depend on others for assistance. This objectionable quality is something he is working to overcome. He realizes he must depend on others for assistance in running his various aviation businesses. When queried as to whether his attempting to do everything himself should be considered mismanagement, he offered a simple "yes". Micromanaging seems to be the norm for this entrepreneur, and it too is something he is attempting to correct.

> "I really believe that due to the way the companies are set up, they probably would have done fine without so much micromanaging from me, but I also feel that they were more successful, because I was there. They probably would not have operated as efficiently as they did, but they would have moved on."

The management style he utilizes is humorously referred to by Entrepreneur A as the "George Patton Style of Management", and he utilizes it at all of his firms, as well as the former insurance firm. He describes his style in his own words:

> "I know that name makes you think of blood and guts and you would go around kicking your employees, but what my style is revolves around giving an employee a mission and at the same time, certain

> parameters that he cannot go past. Anything up to that point is fine, but don't cross the parameters. These parameters involved budgets, limits, and time and what I actually would require to make a project success. I turn them loose and as long as they get the job done and it is within the budgets and it's within the time and its quality work, it's fine. If it is not quality work, then we start looking for the problem, and what has caused it."

As one analyses the style presented by Entrepreneur A, it is obvious he is describing a direct or coercive management style. These two styles typically allow for little or no communication between the managers and the employees, and oftentimes, in this situation, the manager chooses to pay little or no attention to the needs or desires of the workers. This can lead to problems with employee moral, and as in the case of Entrepreneur A, even failure of the business.

When asked to describe his management style, he said:

> "It's a little bit tighter than loose, but a little looser than tight. (Entrepreneur A laughed). I'm easy to get along as long as you do your job, don't do the job, and we're going to have trouble… I do have to catch myself at times, doing things instead of asking someone else to do it because it's easier, and I know what the outcome will be. I think that I utilize my employees to their fullest ability, sometimes probably not, but most times I do."

One final issue worth mentioning from Entrepreneur A concerns mismanagement among his fellow entrepreneurs and friends that are in business for themselves. He confessed mismanagement has been his biggest problem, but when questioned as to whether mismanagement is a major problem for his peers, he was reluctant to say. Instead, he blamed their problems on external factors such as downturns in the economy. He defended his friends by saying their problems, which involved mismanagement, were corrected immediately; therefore, one cannot blame their failures on mismanagement. It seems ironic he is quick to blame his own shortcomings on mismanagement, but gallantly defends his colleagues.

Entrepreneur B

Management styles utilized by Entrepreneur B differed from one business to another, yet he is adamant in spite of the style he is using; he is not a micromanager. At his motel, little delegation occurred, while at his retail establishments, the liquor stores and convenience stores, all of the day-to-day operations were entrusted to others. This lack of delegation at the motel came about as a result of his early ownership of that property and the fact everything in the way of maintenance and operations came under his purview. Not only was he responsible for the work, he was required to do most of the work himself. As new businesses were started, he began relegating his own duties and started using others for work he would normally have completed himself. His lack of experience in working with others would ultimately cause considerable problems for his retail operations and would lead to their downfall. All of the entrepreneurs, with the exception of Entrepreneur B, utilized the same management skills at all of their firms, and Entrepreneur B had this to say about managerial styles:

> "I don't think that entrepreneurs ever utilize the same management style in all of their businesses unless the businesses are all alike. If there is a diversity among the businesses, say a business is a service company versus an equipment repair business, there has to be a difference in managerial style. It would be impossible to utilize the same style all the time, in every business."

Management issues have been mentioned as the cause of all five entrepreneurs' failures. Entrepreneur B is the only entrepreneur who stated his managerial style was to blame. His management style required him to turn his businesses over to others, his first mistake, as he puts it.

Entrepreneur C

The management style utilized by Entrepreneur C, by her own definition, is autocratic. When asked whether she meant dictatorship, she laughed and had the following to say:

> "You can take that anyway you want to. Autocratic, dictatorship; what ever, but if you want to use that as a synonym for a dictatorship, that's okay, but I am very much into controlling my environment."

As she stated this she was laughing but immediately a serious look emerged, and she explained her involvement in every one of her firms required this management style. This quality has emerged as a result of her inability to attract trustworthy managers or employees. Her mistrust in these individuals has prompted her to adopt a very stringent stance as it pertains to a management style.

Entrepreneur D

Entrepreneur D utilized what he calls an entrepreneurial managerial style.

> "I feel that an entrepreneurial management style allows me the ability to back off from my company, allow my new franchisees the ability to make us all a living. I have actually been learning from the new guys. They did not have experience … but they did have great experience in the construction industry and I am not ashamed to say that they have actually been teaching me. I am open to suggestions from every one around me; I am going to listen to my people and then take the best idea and put it into effect. I do not have to be right all the time."

This statement by Entrepreneur D prompted additional research into the entrepreneurial management style. Slevin and Covin (1990) outlined the workings of the entrepreneurial management style when they stated:

> "If you choose to be entrepreneurial, make sure you have a supportive organizational structure and culture to back up your risk-taking, pro-activity and innovation."(Slevin & Covin, 1990, p. 44)

As one continued with this area of examination of the activities of Entrepreneur D, another finding emerges which aids in explaining the series of failures experienced by him.

> "Risk-taking managements usually seize opportunities and make commitments of resources before fully understanding precisely what actions need to be taken. Unless management is flexible, the organization will not be able to adapt itself to the evolving situation. (Khandwalla, 1977, p. 428)

Both of these quotes concerning the entrepreneurial management style seem to directly impact Entrepreneur D. Perhaps one could explain his numerous failures based simply upon his failure to select the proper management style. It is evident from these definitions he had not taken the proper steps in order to utilize a style of this nature. He does not have a supportive organizational structure or the proper culture to back up his risk-taking, and it is obvious he will seize opportunities and commit resources without understanding precisely what he needs to do to ensure success. If dogged optimism could help, perhaps Entrepreneur D could be successful in the long run.

Entrepreneur E

This entrepreneur utilizes a "hands off" approach as his managerial style.

> "My managerial style is, leave them alone and let them do their job. I do not have time to be watching the day-to-day operations of my various companies. When they first start out, I do watch fairly closely, but once something is running and performing in a proper manner, I tend to leave it alone and let my manager run it…. As I hire a new manager, I attempt to instill in that person the beliefs that I carry from business to business. The hardest part of turning a business loose with a manager is wondering whether or not that manager will run it like I would. It becomes obvious very quickly in the form of mismanagement, when they have not taken to heart what I tried to tell them. One can only hope that it is not too late when you discover mismanagement, to save the company."

Entrepreneur E does utilize this style in the operation of his apartment businesses and construction firms, but contrary to his statement, Entrepreneur E involved himself actively in the day-to-day operations of his failed restaurants. He stated:

> "I guess hindsight would say that we may have interfered too much, but our district manager should have told us if there was a problem."

The "hands-off" approach to management has served Entrepreneur E well throughout his entrepreneurial career. It was only the restaurant business he chose to operate in a dissimilar manner. During the interview process, he questioned his own choice of management style and the reasons he changed for this particular type of business. There was no reason given, nor was he able to understand his choice of styles. He carried this discussion so far as to question whether perhaps if he and his fellow owners had adhered to the management style he professes to use, his restaurants would still be operating. This, of course, is strictly conjectured on his part, but he has been successful at every other undertaking, and he does utilize his "hands-off" approach in those businesses.

8.2.4 Managerial issues occurring during the failure event

In an attempt to ascertain the managerial issues which arose from the failure, one must explore the managerial issues that were in place prior to the failure and any changes occurring as the failure became more imminent. As the businesses approached the end of their functional lives, the entrepreneurs indicated managerial styles began changing as the failure event neared. The available literature on managerial issues failed to investigate the changes in an entrepreneur's management style, as well as the managerial issues that occur during a failure event. This section is an attempt to ascertain these variations that were occurring as the firms failed.

Entrepreneur A

Entrepreneur A, after a bit of self examination, admitted he was absent for a big part of the month prior to closure.

> "A month before, I was there, not as far as actively seeking more clients or doing more sales call or doing anything like that, it was very

> limited. Basically I was supporting what I had already started and that was all… No one was not in control, as I really did not have my heart in this company. I was thinking more about divesting myself of the company so there was very little control. My decisions were basically, whatever I needed to do to shut this thing then and get back to my other jobs. I was physically there, but I was not there mentally. I would find myself more and more dealing with problems or activities from the other businesses instead of paying attention to the problems at hand in the insurance business. I could have saved that company and made a go of it but I really did not care to. All of my other activities took precedence over the insurance company because I would rather have dealt with anything over what I was doing. So, as far as managerial decisions go, there were very few."

He continued by stating there was a possibility he harbored a certain amount of bitterness towards the insurance firm, and his principal goal was to return to his aviation businesses where he had previously found success. The small failures Cannon et al (2005) refers to in his studies were present, but Entrepreneur A chose to ignore them. As to a change in management style, it went from the "George Patton Style" to one of indifference, which was the beginning of the end for the insurance firm. Hill (2008) examined this indifference phenomena and found CEOs influence the trust and commitment of their employees through how they communicate their wishes to their people. Employees must be "onboard" in order for a firm and its executives to prosper, and the CEO must erase all traces of indifference to overcome those perceptions of the egocentric management style. Utilizing Hill's findings, if Entrepreneur A had desired to keep his insurance firm, he could have reversed the damage through dialog and management styles, and his firm may have flourished.

Entrepreneur B

When queried as to what he was doing as the businesses began to decline, Entrepreneur B was forthright and described in detail his daily activities.

> "I had one central office that was in the back of one of the combination liquor store convenience stores. I spent 90% of my time

there and I considered myself being brilliant because I could get all of the managers to come to my office and we would sit and discuss strategies, how are we going to improve business, how are we going to market our company. What we were going to do and what we were not going to do. The problem occurred because I did not necessarily follow up on it, or I followed up on it and did not detail all of the various strategies. I took much for granted… My time was spent in the back office with my big cherry desk, wallpaper, and being the high roller while my businesses dissolved right under my nose. I was not paying attention to detail."

This following narrative describes an archetypical failure scenario. Small failures were present, occurring at a regular pace, and they were growing daily. The entrepreneur, like many others, chose to ignore them.

> "There were definitely small, what I liked to call insignificant events that were negative occurring every day. People stealing, shortages in the cash registers, running out of inventory, just a lot of little events, and I chose to ignore all of them. And this is not to say that I didn't try to correct problems as they arose, but when it happens over and over, you get tired of it, and eventually quit trying. As I think back, because I had the right location, and I had the right concept, if I had just been more of a hands-on, devoted, and detailed entrepreneur, I may have saved those businesses. Perhaps, if I had seen all of these small failures as leading to one big failure, I could have moved quicker and made a difference, but I chose to think of these at small individual problems that would take care of themselves or that my manager could handle himself. I would see something pop up, and tell myself, that's not a big deal."

Entrepreneur C

Entrepreneur C was reluctant to even admit there had been a failure in her portfolio, and she was even more averse to admitting there were negative managerial issues prior to the failure of her firm. The demise of her firm came about as a result of a lack of time on her part. She had the following to say about this closure, "I refuse to engage any more clients because I just did not have time for it and could not put the time into it that it required". She did admit, occasionally there were problems staffing the firm, but she said this was her only problem. Based on the demeanor she possessed during this line of questioning, it can be assumed there were no managerial issues or changes that occur prior to the closure.

Entrepreneur D

Entrepreneur D was not aware of changes in his managerial style prior to his failures or his firm's failures. He indicates the majority of the problems he has encountered occurred rapidly and with little or no advanced notice. The only issue he could present involved ignoring the small failures that were occurring in his firms; however, Entrepreneur D is quick to point out the small failures were not the cause of his demise; large debilitating failures that occurred rapidly, with little or no notice, crippled his firms. He is, therefore, unable to identify any changes in his managerial style or any managerial issues which occurred prior to the failure events.

Entrepreneur E

In the case of Entrepreneur E, too much interference from the partners attributed greatly to the restaurant groups downfall. Since a management team was comprised of employees rather than the owners, it is difficult to surmise a dramatic change in managerial style could be responsible for the failure. The only managerial changes that occurred were created by the ownership group. This change was not necessarily a change in style but more so interference on a daily basis by them. Entrepreneur E did admit small failures were occurring, but everyone, managers and owners alike, chose to ignore them, as is the case in many entrepreneurial failures. One of the apartment firms owned by Entrepreneur E experienced a near disaster, on one occasion, when a manager misrepresented occupancy rates. This was caught by Entrepreneur E and his CPA before any long-term damage could occur. If this unscrupulous activity had continued until a failure occurred, it would have been due to dishonesty on the part of the manager and not managerial issues.

8.2.5 Recap

Three of the five entrepreneurs stated there were no changes in managerial styles or any development of managerial issues that arose while the failure event was occurring. Everyone agreed small failures were taking place, yet only two recognized a drastic change in their management style. Cannon and Edmonson (2005) refer to the small failures as early warning signs that should trigger a response from an owner or manager. This was not the case for these entrepreneurs. Ignoring the problem seems to be an accepted strategy among these portfolio entrepreneurs, and with only one exception, none of them were concerned with the small failures or the closure of their business. At the beginning of this section it was pointed out little or no research has been carried out on this type of occurrence. Perhaps this is due to the inability of the entrepreneurs to recognize the changes that may occur, or a conscious effort to avoid telling the truth. "People prefer to be a victim of circumstance rather than of their own doing" (Zacharakis, Meyer, & DeCastro, 1999, p. 4). Only additional research will unveil this problem. Selection bias was considered as a possibility of the variations in the responses of the various entrepreneurs; however, this was dismissed based on premise all five of the entrepreneurs were amazingly similar in all of their other responses.

8.3 Reckless and risky actions

One element common to every business is the concept of risk. It began with the first business ever created and continues even today. An early mention of risk emerged when Cantillon (1755, p. Chapter 13) referred to entrepreneurs as "undertakers who adjust themselves to risks in the state". Oxenfeldt (1943) wrote that one cannot be an entrepreneur unless risk is at hand, and many studies have followed that iterate the same belief. This section will investigate the concept proposed by Cooper, Woo and Dunkelberg (1988) that entrepreneurs may, sometimes, be guilty of carrying on risky or reckless activities prior to a tragic failure. It was necessary to determine whether the entrepreneur sensed they were reckless and did that recklessness lead to the failure? The investigation also centered on whether the entrepreneurs perception of risk or risk aversion changed after the failure; and if there was a change, did it have a long-term effect on the entrepreneur and their remaining businesses? Did it positively or negatively affect the entrepreneur's outlook?

8.3.1 Early perception of risk and recklessness

All of the entrepreneurs agreed, "the higher the risks, the higher the returns", and all have placed themselves and their assets in, what they called, risky situations and exposed themselves to failure. Failure could possibly come about as a result of reckless and risky activities by owners who are overly optimistic and do not think of failure as a potential consequence of their actions (Cooper, Woo, & Dunkelberg, 1988). Perception of risk, according to Baron (2006), is one of the basic components of one's cognitive ability of alertness, and if entrepreneurs fail to recognize risk, failure could result. Only Entrepreneur D was comfortable risking all of his assets on his various business propositions. He states the following:

> "I absolutely have no fear of risk. I have never gone hungry; my family has never lacked anything. I will always know that tomorrow I can go out and get a job and support my family. I know that I can be successful in whatever it is I want to do, so rolling the dice is not a problem for me. In spite of all the tragedies I have experienced, the businesses I have lost, and absolute craziness in my life, my credit is three points from being perfect. I have never failed to pay any of my debts to anyone. With the collapse of the shaving gel company, I had to sell my house, sell everything that I had, pay off and $80,000 debt, and here I am a year and a half later, a nice home, a new vacation home on the lake, and a new vehicle for my closet company, all of this in a year and a half."

This concept of risk as presented by Entrepreneur D is not the norm for entrepreneurs and borders on recklessness, or at a minimum, blindness to risk. Entrepreneur A had normally been conservative concerning risk, but when his desire to own an insurance firm overcame his conservative thinking, he took great risk in failing to scrutinize the firms with which he contracted for insurance services. When asked whether this action should be considered risky or perhaps reckless, he had the following comments:

> "Reckless maybe, but I don't think it was risky. Reckless in that I did not talk to somebody prior to opening the company and finding out what I was getting into. …I don't see that it was risky as such, but it was reckless. I assumed that something good would come out of this, and I wanted to own an insurance company, so I did it. I just did not take the time. The first person that came along, that I could get an agency from and some training, I latched on to them with out really investigating anything."

When Entrepreneur D was questioned concerning his risk and recklessness in choosing to pay taxes rather than obtaining insurance, thus losing his firm due to an accident, he stated:

> "I guess you could look at it as being a bit risky, but I didn't see that as a risk, I saw that as avoiding risk....I did not intentionally take a risky stance or do anything reckless. Hindsight it looks like perhaps it was very risky…As I look back on it now, yes it was reckless. But at the time, it seemed like the right thing to do. It actually made sense to me.

Entrepreneur B understands risk is a normal part of being an entrepreneur; however, unlike the other entrepreneurs in this study, he did not take chances without giving the new opportunity great consideration. He continued to take numerous gambles, but not without enormous contemplation. Unlike many of his peers and friends who were willing to cross collateralize their firms to open a new one, or even to mortgage their homes, his major risk involved simply entrusting others to oversee firms he created. This action does not sound like risk in that a habitual entrepreneur must depend on others in order to build a portfolio; however, he sees this as risk; therefore, it is. Entrepreneur C does agree risk is a part of being an entrepreneur. She does not, however, see where she personally has taken any risk in her businesses. She does consider herself a risk taker, but risk is something that rarely comes into play for this entrepreneur, according to her own admissions. Entrepreneur E, on the other hand, does not believe an entrepreneur can be in business if he doesn't take risks. He had the following to say:

> "Risk is what sets entrepreneurs apart from others. People like me seemed to thrive on risk. I realize that the greater the risk, the greater the return but I like to maximize my returns and minimize my risk if possible. I am certainly not afraid of taking risks. One of the riskiest things that I did early on in my career as an entrepreneur was to cross collateralize some of my properties…This is a very risky thing and if one property dies, it can very well take down additional properties. As an investor I love it when someone is willing to put up their house or another business in order to guarantee a loan. I don't know what I would do if they defaulted and I had to take their home; I probably would not be able to do that."

One other consideration in analyzing risk is whether risk changes according to the successes or failures a firm experiences. Four of the five entrepreneurs agreed failures would affect the way one looks at risk, but Entrepreneur B explained the concept perfectly:

> "I do think that entrepreneurs will take more chances if they have been successful. Failure will temper their desire to jump out and do some reckless and risky activities. If a guy has had several failures in his past, it will make him more aware of the chances of losing his investment and his business if he does not take his time and ensure the success of his business. This is also where risk aversion comes into play. Failure in one business will certainly lead to a risk aversion in all the others."

8.3.2 Perception of risk following a failure and risk aversion

Due to the high failure rate of small businesses, all entrepreneurs are acutely aware of the strong association between risk and failure, and it is for this reason research must include the characteristics of risk aversion following a failure event. Some of the entrepreneurs indicated their perception of risk and risk aversion changed following a failure, sometimes to the point that it could interfere with their future entrepreneurial plans, while others stated there was no change at all.

Entrepreneur A stated he is risk-averse; however, he continues, if there is no risk then he is not doing a good job as an entrepreneur. Following the failure of his insurance firm, Entrepreneur A continued to have the same opinion about risk aversion as he did prior to the failure. He was unrelenting in his belief, there must be risk in order to obtain rewards, but a smart entrepreneur would attempt to lessen the risk and increase the rewards, if possible. Entrepreneur B states, "I saw risk in a whole new light" after the failure of his retail stores. Prior to the closures, risk was what he called a necessary evil. Now Entrepreneur B works daily to control the effects of risk by carrying out due diligence in every venture, investigating all new opportunities in depth and staying in close contact with all of the employees. He states they are constantly on the lookout for any type of problem that may be arising. As a result of his efforts in controlling risk, he is less risk-averse than he was prior to the closures, and now that he has learned to control risk, he says, "I do not see it as being a problem as it was once before". Entrepreneur C has not had a change in her perception of risk since the closure of her parking business. She was not risk-averse prior to the closure, and she states she still has no risk aversion. Only minor changes have occurred for Entrepreneur D, and these have occurred naturally over time rather than all at once because of the failure. Entrepreneur D states he is more careful now to ensure a financial cushion is available so if a problem does occur, he will be able to cover his expenses without great loss to his family, as in the past. However, when queried as to whether he would use this "cushion" if another business opportunity came along, he laughed, and said, "I would use it, but don't tell my wife I said that". Entrepreneur D believes he is in control of his risk, and he perceives his greatest single ability in entrepreneurship is his lack of fear and a lack of risk aversion. Entrepreneur E revealed his perception of risk, and his risk aversion has changed as a result of his failure event. He had the following to say about risk aversion:

> "Of course my perception of risk has changed. Sometimes we entrepreneurs feel like we are bulletproof, especially when everything

> we've done has been successful. As a result of the restaurants failure, I am more aware of the smaller events that take place, but more than recognizing them, I am recognizing them earlier. I think that part of the problem we have is business owners is that we sometimes tend to overlook problems thinking that they will go away in time. This is exactly the opposite of the truth. Problems do not go away in time, they only get larger"

In the 40 years since Pratt and Arrow (Pratt, 1964; Arrow, 1965) established the concept of risk aversion, there has been little consensus concerning the effects of risk aversion among entrepreneurs. One researcher, Eisenhauer (2007), has offered, what he calls, an obvious explanation for the discrepancies from one entrepreneur to another as to their risk aversion; it is simply human beings differ from one to another. Others have postulated demographic differences, as well as behavioral variations; present a marked difference in risk aversion. Regardless of the reasons, it is apparent from studying these five entrepreneurs there is a noticeable disparity between each of them as it pertains to risk aversion. These findings agree with the research on entrepreneurial risk aversion by Gilmore. Carson, and O'Donnell (2004).

> The findings emerging from this study present a contrast to the stereotypical image of the entrepreneur as someone who seeks and embraces risk. Rather, this study shows that, while entrepreneurs recognize that they must encounter certain risky situations, they endeavor to manage these situations so that the risk is minimized. Having gone through and survived the difficult and uncertain start up years, these owner managers show reluctance to involve themselves in activities that may jeopardize the relative security that they work so hard to obtain (Gilmore, Carson, & O'Donnell, 2004, p. 358).

8.3.3 Recap

Epistemic blind spots and risk denial are two of the impairments Choo (2008) discusses in his paper that cause disasters to occur in business. Epistemic blind spots are defined as:

> "A stream of warning signals is not heeded because the information does not fit existing beliefs or because there is no frame of reference for the warnings to be recognized" (Choo, 2008, p. 34).

Risk denial is defined as:

> "Warning signals and events are discounted because of values, norms, and priorities that influence the evaluation and interpretation of information, so that no corrective action is taken" (Choo, 2008, p. 36).

The entrepreneurs interviewed demonstrated at least one, if not both, of these characteristics, and the ultimate result was failure.

All of the entrepreneurs agreed, the higher the risk the higher the returns, yet some of them were willing to accept more risk than others and, at times, more risk than was necessary. Entrepreneur D was one willing to risk everything for success while Entrepreneur B was more cautious. Each person's concept of risk differed and what seemed risky to one was not risky to others. After the failure event, changes occurred in the perception of risk, again some more than others. Risk aversion appeared in some, and, as a result, they are more cautious in all their transactions. Minimizing risk is important to each entrepreneur, but risk and risk aversion will not stop further expansion in the portfolios of these business people.

8.4 Effect of failure on the entrepreneur

Of the numerous studies involving entrepreneurial failure only a few discussed the subject of the effect of failure on the entrepreneur, and when it was covered, it pertained more to overcoming failure, or learning from failure, or how to avoid failure (Ricklefs, 1996; McGrath, 1999; Shepherd, 2003; Metzger, 2005; Cope, Cave, & Eccles, 2008). Psychology journals, on the other hand, contain articles concerning the effect failure has on individuals. According to a paper by Savitsky, Epley, and Gilovich (2001), when an individual suffers a public failure, they are sometimes under the impression others view them as being less than proficient in their field. Part of this is due to their inability to look beyond their failure. They tend to focus on their own misfortunes and by doing so bring about additional scrutiny from others to their problem; however, many are able to overcome their feelings of guilt and embarrassment and move forward quickly.

Work by Lowenstein and Schkade (1999) and Gilbert and Wilson (2000) provide additional information as to the reason for the ability of entrepreneurs to overcome their feelings of failure. When a failure occurs, the observers to the event are more benevolent than the failed entrepreneur expects. This derives from research called focusing illusion. When individuals are queried as to the impact that an event, such as failure, has on them or their future abilities, they will tend to only look at the focus event and overlook any other events that may have been occurring. This misplaced regret is not seen by outsiders as badly as it is seen by the participants. The entrepreneurs involved in a failure can perhaps sense this lack of ill will which they had anticipated, but did not materialize, and this would speed their recovery. "The fact of the matter is that trauma does not take place in a vacuum: Life goes on, and non-focal events do happen and do have affective consequences" (Gilbert, Pinel, Wilson, Blumberg, & Wheatley, 1998, p. 619). This ability to move forward quickly was evident in all five of the entrepreneurs interviewed for this study. None expressed embarrassment or even remorse at their failure as was indicated by their stated emotional condition. Table 8.0 displays quotes outlining the basic emotional states of the entrepreneurs as they experienced their failures.

Table 8.0 -The basic emotional states of the entrepreneurs as expressed through their own quotes in discussing the effect failure had on them.

Emotion	Quote
Joy	I was happy - Entrepreneur A I was glad when it closed - Entrepreneur A Closing actually freed me up - Entrepreneur B
Acceptance	I did not have to do it anymore - Entrepreneur A It was a totally positive effect as far as I was concerned - Entrepreneur A I was not ashamed nor was I embarrassed in any way - Entrepreneur A I gave it my all and when I realized I was outside of my niche; that was it - Entrepreneur A This effect on me only lasted a short while as I soon realized how much better off I was without the additional problems - Entrepreneur B It doesn't make you happy to close down a business, but as I've already told you, it was time for (it) to close - Entrepreneur C It would really have no adverse effect on you or your other businesses, in which just step out of the failed business and right into another - Entrepreneur C Things happen in businesses that are beyond the control of the entrepreneur - Entrepreneur D I don't feel that the entrepreneur should necessarily blame himself for the failure of a business - Entrepreneur D If you internalize it (failure) and say I failed, then you have a real problem - Entrepreneur D I never looked at any of this as failure. It is just one of those things that happen - Entrepreneur D It is just one of those things that happen - Entrepreneur D I think it made me stronger - Entrepreneur D It makes you more resilient if you allow it to - Entrepreneur D I don't think an entrepreneur needs to dwell on failures - Entrepreneur E I learned more from being successful than I have from failure - Entrepreneur E
Relief	If anything I would say the overall effect was positive because I was then able to pay more attention to my core businesses - Entrepreneur B It taught me that I needed to spend more time focusing on my businesses and less time focusing on what I thought I should be doing - Entrepreneur B I don't take that personally - Entrepreneur D I think that it will either kill you or make you stronger, and in my case it made me stronger - Entrepreneur D

Four additional emotions that were investigated were fear, anger, disgust, and surprise. The entrepreneurs did not share any information that would express these sentiments. All of the comments concerning the effect of failure on them were obviously positive. One can presuppose from this that portfolio entrepreneurs have the ability to compartmentalize their emotional states as it pertains to the long term effect of failure and to seek out only the positive aspects of a failure. By avoiding a negative emotional response and disavowing any negative connotations from the failures, the entrepreneurs have displayed what seems to be an uncanny ability for portfolio entrepreneurs to avoid any future negative consequences that would deter them from their mission of owning and operating numerous businesses. The effect of failure on the entrepreneur was of little or no consequence to any of the entrepreneurs and upholds the findings by Stokes and Blackburn (2002) in which they found 69 percent of failed business people in their study saw their failure as a positive experience for them. Shepherd (2003) argued that a part of learning from failure included a period of grief recovery during which time the failed entrepreneur would have to "heal" from the negative emotions and pain associated with a failure. This was not the case for the entrepreneurs in this study. Each of them, as shown in Table 8.0, expressed only positive emotions; this is in sharp contrast to the findings by Shepherd. The reason for this lack of grief was based on the entrepreneurs having additional businesses that demanded their attention. As the previous chapter indicated, the failing enterprise had taken much of the entrepreneur's valuable time, and as a result, they grew tired of the business and were relieved when it finally was closed. This ties in directly with the finding that each of them closed the firms, rather than attempting to sell them, with the exception of Entrepreneur B who sold the real estate only. This is an important finding and should be further investigated by future research.

8.5 Effect of failure on the remaining enterprises

Scant research has been undertaken examining the after-effect of a business failure on the remaining businesses in the entrepreneur's portfolio. This lack of research was summed up by Stubbart and Knight (2006) when they stated:

> "Cross-sectional studies and most longitudinal studies only sample surviving firms and they only sample a narrow part of an industry's history, of firms' experiences" (2006, pp. 96 - 97).

It is Stubbart and Knight's (2006) contention, failure is both common and predictable and, therefore, does not warrant in-depth study or explanation. They contended the overall effect of failure should be concentrated on the industry rather than on specific failure events. In spite of this perception, Coelho and McClure (2005, p. 13), stated, "failure may lead to ultimate success in business by economizing on resources which leads to greater efficiencies". Entrepreneurs often carry out an exit strategy to maximize those efficiencies and redirect their use; these closures are sometimes mistakenly thought to be failures. However, a search for scholarly papers concerning economizing on resources after a failure proved futile. Without an analysis of these events which redirect resources, it is improbable one could determine whether economizing on resources after a failure is a viable entrepreneurial option. The findings of this thesis indicates that the entrepreneurs did capitalize on their failures, not by redirecting their physical assets, even though this did occur, but more so by maximizing their greatest asset, their own ability to operate a firm. It is for this reason, contrary to Stubbart et al (Stubbart & Knight, 2006), the effect of failure on the remaining firms in a portfolio deserves additional analysis.

Overall, the interviews with the five entrepreneurs concerning the effect of failure on them personally uncovered no exceptional results and only positive outcomes as it pertained to the remaining businesses. Entrepreneur A stated his remaining firms were "a lot better off" due to his being able to focus all of his efforts on making them more successful. Entrepreneur B echoed these sentiments by stating:

> "If anything, I would say the overall effect was positive because I was then able to pay more attention to my core businesses".

Finally, Entrepreneur C stated:

> "My other companies were positively affected since I was able to devote time to each of them, and they picked up additional employees who already knew my style of business and were able to move into their new jobs with little or no problems".

In follow-up interviews, via telephone, an attempt to uncover additional information as to the effect of failure on the remaining businesses in the entrepreneur's portfolios was unsuccessful as the interviewed entrepreneurs had very little to say about the effects, other than it had no effect or it was positive. As to the question of economizing on resources, the entrepreneurs indicated there was a transfer of resources after their failures, but the effect was indiscernible, and no discontinuance of business occurred in order to maximize the overall economic value of their portfolio. Perhaps, it is for this reason researchers have avoided conducting investigations into this area.

8.6 Learning from failure

> "Accepting the substantial and traumatic impact that failure can have on entrepreneurs, it is vital to appreciate how the participants came to terms with losing their businesses and how they began to rationalise, and move on from, the experience of venture failure." (Cope, Cave, & Eccles, 2008, p. 7)

"Lessons learned often translate into competent decision making" (Headd, 2003, p. 56). Many researchers have discovered similar findings as they analyzed the effect of failure on the ability to learn among entrepreneurs (Cooper, 1970; Lamont, 1972; Westhead & Wright, 1998b; Aldrich & Martinez, 2001), and others go further by stating, " the learning accrued by the failed entrepreneur may outweigh the costs to society" (Zacharakis, Meyer, & DeCastro, 1999, p. 2). Regardless of how research explains "learning from failure", all seem to agree, entrepreneurs, and especially portfolio entrepreneurs, learn from their failures. In a study of portfolio entrepreneurship by Huovinen and Tihula (2008), it was found failure aids in the development of entrepreneurial knowledge, as well as the knowledge required to develop new businesses. They stated:

> "Development of entrepreneurial knowledge is viewed as leading to new ways of organizing and managing start-up firms. Learning through previous experiences has strengthened entrepreneurial knowledge…" (Huovinen & Tihula, 2008, p. abstract).

During the course of the interviews with the five entrepreneurs, "learning from failure" appeared to be one of the most important issues for the interviewees. All of the entrepreneurs indicated the process of learning from one's failure is the single most beneficial aftereffect of failure in one's business. An improvement in their management abilities emerged as the primary benefit each received from the learning episodes. They indicated their ability to handle resources, both financial and human capital, were enhanced with their failures. They also indicated that their ability to anticipate potential problems improved. This occurred through the recognition of small failures within their firms, also referred to as the antecedents to failure in this thesis. Each agreed that the ability to anticipate future problems will help entrepreneurs avoid potential large catastrophic failures.

This should not be construed to indicate one only learns from failures; success also, according to the entrepreneurs, provided a remarkable learning experience for each of them. As one studies the available research on learning from failure and success, it becomes obvious there is disagreement among the various authors as to what action will more greatly benefit the future success of an enterprise. Past studies indicated one of the main unplanned consequences of seeking success rather than learning from failure is an inclination to carry mistakes forward and forget the true lessons one can learn from failure. Other authors believe learning from repeated success can also ensure future failure. “Long periods of continued success foster structural and strategic inertia, extreme process orientations, inattention and insularity” (Baumard & Starbuck, 2005, p. 283). However, Ucbasaran et al (Ucbasaran, Westhead, & Wright, 2001) addressed this issue and concluded that by studying failures and successes, one can begin to see the connection by which habitual entrepreneurs emerge. This variation in thinking among authors enabled a discussion during the interview process to determine whether the entrepreneurs believe not only failure, but perhaps both failure and success in business, has the ability to affect the future success of business ventures which potentially are forthcoming.

The following paragraphs contain numerous quotes from the entrepreneurs as to their opinions on the learning process which occurs during one's entrepreneurial career and the importance of learning from both success and failure, as well as learning from the day-to-day operations of their firms. It would be impossible for any researcher to explain the effects of learning from failure better than the entrepreneurs did in their own words. One of the consistencies which surfaced during the discussion of learning from success or failure was each of the entrepreneurs considered their past experience as one of their most important learning experiences in business. As Entrepreneur A stated:

> “I learned so much from my first business that carried into my second business. There was so much learn from the failure of the insurance company. I feel like when I start another business, I will draw on learning experience comes from failure, success, and past experience. I basically have a whole set of tools that I use that I don't think the average person would have.”

8.6.1 Past experience

This factor is of great importance to each of the entrepreneurs and has allowed them to find success in their various undertakings. Entrepreneur A states he continuously "falls back" on his past experience and states:

> "In order for a person to start and to operate a business, if you have the passion and the diligence, you will be successful, but past experience would help some to enhance your passion and your diligence if you are a portfolio entrepreneur."

Entrepreneur B credits his past experience for giving him the ability to establish and operate businesses.

> "I have to say that my past experience certainly made opening businesses easier… and due to my past experience I am more careful and will analyze everything to ensure our success".

Entrepreneur C offered a more humorous explanation for past experience:

> “I know what it should look like based on the level of experience in the years that I have. If it isn't feeling like it should, I don't fool with

it. If it doesn't look like and doesn't quack like a duck, it's probably not a duck, so leave it alone. This is what experience will show you."

Entrepreneur D said:

> "The true lessons in life come from hard knocks sometimes… (and) thanks to my past experience, I was able to spot a really good opportunity for me, one that made it very appealing to me after going through the many different configurations that I had gone through trying to raise money in the past for businesses…Every day I think about something from my past and the lessons that I learned to enhance what I'm currently working on. I think that my closet company is a success because of my past experiences."

Entrepreneur E believes past experience is a major part of the growing process all humans undergo.

> "We all learn from our past experiences and we use them every day and not just in business, but in family life in the any other activities that we do. Past experience would not be reserved just for businesses, it's part of the growing process for everyone."

Of the five individuals interviewed, four were adamant their past entrepreneurial experiences caused them to avoid building firms outside of their comfort zone or their area of expertise. Contrary, Iacobucci and Rosa (2003) found the longer the entrepreneurial experience, the more likely an entrepreneur is to pursue a diversification strategy. This did not agree completely with the findings in these interviews. The entrepreneurial experiences of the interviewees, if anything, caused them to avoid greater diversification. Entrepreneur A stated he will avoid pursuing anything outside of the aviation business; Entrepreneur B is firmly entrenched in the motel industry; Entrepreneur C stated she will only pursue service related firms which she can personally control with little outside help; finally, Entrepreneur E indicated he prefers to stay closely aligned with his construction and apartment business. Entrepreneur D will continue as he has always done creating any type of firm for which he can justify a need. The fact these entrepreneurs who have experienced a failure will not pursue a diversification strategy does not negate the findings by Iacobucci and Rosa. In fact, each of these entrepreneurs did pursue a diversification strategy until they experienced a failure at which time they no longer pursued that strategy. This discovery simply adds another layer to Iacobucci and Rosa's findings. One can state, based on the interviews of the five entrepreneurs in this study, the more profound the entrepreneurial experience, the greater the chances for a diversification strategy by the entrepreneur, at least until a failure experience occurs, at which time this strategy is abandoned and the entrepreneur pulls back to only pursue opportunities they know best or one that has worked well in the past.

8.6.2 Learning from past mistakes

"By ignorance we mistake, and by mistakes we learn", this according to an old proverb. Mistakes by the entrepreneurs seem to provide some of the superlative learning opportunities for the interviewees. Employee mistakes also factor into this learning experience. Entrepreneur A specified an honest mistake by an employee can be used as a learning experience, but if that mistake becomes habitual then a decision must be made as to whether the employee should seek other employment. He also takes great effort to avoid the same mistakes he has made in his past. He states the first time an error occurs it may be a mistake, while subsequent errors may not be. It is important to avoid making the same mistake, so entrepreneurs must make every effort to learn from even the smallest mistakes. Early in his entrepreneurial career, Entrepreneur A made several, what he called blunders, and when this was pointed out by his grandfather and an entrepreneurial friend, he tried very hard to ignore them, and as he stated, "I turned a calloused ear to them and hoped it would go away". This, he said, was his first opportunity to learn from his mistakes.

When Entrepreneur B purchased his convenience store and liquor store combination, he made, what he called, a dumb mistake. He said he had paid too much for the property, spent too much renovating it, and borrowed too much money to pay for it. Once he realized these mistakes and began to look for a solution, he questioned his own ability to be an entrepreneur. "Am I really good at this, am I a real businessman, am I making a dumb mistake"? It was not until after he sold it he realized the entire episode was a very good experience for him, costly, but still very good. Another interesting quote from Entrepreneur B concerns whether entrepreneurs avoid making the same mistake twice. He said:

> "I think that more of them avoid making the same mistake the third time, not the second time. I think there are a lot of people, myself included, that think well the timing was just not right, or the location was just a little bit off, there's no way I made a bad decision, so let's do it again a little bit different. I'm too smart to do the same thing wrong twice (laughter). So let's try it again, but I think after that second go round, they realize that they don't need to try that again. What's that old saying, cheat me once, shame on you, cheat me twice, shame on me."

Finally, Entrepreneur B said, "Maybe learning from mistakes could be the main thing that sets entrepreneurs apart".

Even though Entrepreneur C would not admit a failure had occurred in her portfolio, she did indicate when a failure occurs in a business, failure will make the entrepreneur more aware of the mistakes entrepreneurs face on a daily basis. Most of her problems or mistakes occurred as a result of her not being able to be in all places at all times. Cannon and Edmondson (2005) stated small failures within a firm are often overlooked as insignificant mistakes. When presented with Cannon and Edmondson's (2005) findings, Entrepreneur C was adamant she had not seen, nor was she aware of any mistakes, large or small, occurring within her failed firm. Entrepreneur D and Entrepreneur E were both reluctant to admit the problems occurring with their failed firms were mistakes. Entrepreneur D refers to this problem as "lapse in judgment", while Entrepreneur E attempts to blame everyone involved in his restaurant businesses with creating his problems. Both of these entrepreneurs made serious judgment errors, which equated to mistakes. Entrepreneur D readily admits he learned from his judgment errors and as a result the next five years should be "very good" for him. In a follow-up telephone call, Entrepreneur E did admit he has learned from past mistakes, mostly those made by his employees, but also from the occasional mistake he may make.

> “People do not like to admit mistakes, but the early recognition of mistakes may avert disasters. The knowledge gained by misfortune makes future profits more likely” (Coelho & McClure, 2005, p. 13).

Entrepreneur A offered the following, an apt quotation to close this section:

> "You have to go back to the basics if you are starting a new business or if you were trying to get one back in the running. Just go back to the basics and get everything moving ahead, and then try to realize what mistake you made and not do it again.”

8.6.3 Knowledge and resource transfer

An important aspect of learning from failure is perfecting the ability to transfer knowledge and resources from one organization to another.

> “Knowledge has been recognized as a source of competitive advantage. Knowledge-based resources allow organizations to adapt products and services to the marketplace and deal with competitive challenges that enable them to compete more effectively. One factor critical to using knowledge-based resources is the ability to transfer knowledge as a dimension of the learning organization. There are many elements that may influence whether knowledge transfer can be effectively achieved in an organization such as leadership, problem-solving behaviors, support structures, change management capabilities, absorptive capacity and the nature of the knowledge”. (Soosay & Hyland, 2008, p. 143)

Each of the entrepreneurs in this study acknowledged there was a transfer of knowledge from both successful and unsuccessful business ventures, as well as resource transfers. Knowledge transfers were of the most importance to the entrepreneurs as they saw this as a necessity for them to continue increasing their ability to build and operate successful firms. Resource transfers were also important as each revealed tangible assets were never compromised and all available resources were moved to successful firms or divested for cash.

8.6.4 Recap

The entrepreneurs outlined in this section believe they are all better equipped to manage new opportunities in the future as a result of their failures in the past. New firms will be started and will be successful due to the lessons learned and their desire to show others they can overcome the adversity they encountered. Each also indicated entrepreneurial learning is not restricted only to failure; success is also an excellent teacher, and learning, regardless of the source, is crucial to their entrepreneurial existence. In this quote from Headd, he summed up the beliefs of the entrepreneurs as it pertains to their ability to find success.

> “Being older, more educated, and having previous experience are expected to be positively correlated with survival, as lessons learned often translate into competent decision-making" (Headd, 2003, p. 53).

Also, from the same research, he states:

> "Having previously owned a business allows one to acquire skills, make connections, and develop reasonable expectations that can result in success. This picture of entrepreneurship shows that starting small, planning for success, learning from previous mistakes, and being persistent yields successful results" (Headd, 2003, p. 58).

Additional research is certainly necessary as it pertains to learning from failure. Prior experience provides a benefit to entrepreneurs as they work at opportunity recognition, or building new businesses. However, as compelling and as interesting as this literature may be, the issue put forth by Alsos and Carter (2004) , that no studies have yet to identify any significant differences in businesses started by nascent entrepreneurs and businesses started by habitual entrepreneurs, should be further investigated. Does learning from one's mistakes, failures, and successes aid in future entrepreneurial ventures? The entrepreneurs in this study seem to think so, but additional research is warranted.

Based on the findings in this study, entrepreneurs learn from failure. In their cases, it is evident that their failures were not negative events, the events that occurred prior to the failure were negative, but due to their ability to compartmentalize their feelings, the entrepreneurs were able to shift the failure into a positive event. This is evident in their statements that they were "happy" to see the failing firm closed. As soon as the closure occurred, they were able to shift their attention to their existing companies, using knowledge they had garnered during their failure. This is a classic example of "learning from failure".

Entrepreneur A seemed to sum the entire objective up in one statement, and the final sentence of his quote expresses the attitude which sets him apart as a portfolio entrepreneur.

> "It's not the successes and failures, I think it is more your passion and your vision. It is what originally made me an entrepreneur. Why would it take success and failure to determine what sets me apart when I had the same dreams as I do now, or when I built my first business and did not have any success or failure upon which to draw? I may be a bit callous when I say this, but there is very little difference in me as an entrepreneur, as there was the day I started out. Yes, I have learned from my failures, which has enabled me to become a better entrepreneur, but I don't believe that my success and failure can explain why I am a portfolio entrepreneur rather than your run-of-the-mill entrepreneur. I think it goes back to the thrill of starting something new and watching it grow."

8.7 Effect of failure on future entrepreneurial plans

To examine the consequences of the business failure on the future entrepreneurial plans of portfolio entrepreneurs.

8.7.1 Optimism

Optimism can be categorized as being vital to future success for anyone attempting to build a new business. The entrepreneurs in this study can be categorized as being optimistic, almost to the point of being overly optimistic. Trevelyan (2007) indicates optimism sometimes prevents an individual from acknowledging there are risks inherent in searching out new endeavors. As may be the case with the entrepreneurs in this study, overconfidence may have played a role in their failures, and could potentially play a role in future ventures due to too much knowledge and, therefore, overconfidence. One additional "common trap" Trevelyan (2007) mentions is becoming overconfident after investing a great deal of time, money, and energy into a project. Familiarity also produces overconfidence. Each of the traits she discusses are potential hazards for the entrepreneurs in this study. There was certainly no lack of optimism present during the interviews.

Brandstätter (1997, pp. 169 - 170) observed 73 percent of entrepreneurs examined in his study were of the opinion additional success was coming their way in the next five years. One hundred percent of the entrepreneurs examined in this study believed they also would enjoy more overall success in the next five years. This final objective is designed to investigate whether the failure of one's business affected the way the entrepreneur has looked at pursuing future endeavors and whether failure could be a driving force in making the entrepreneur a success. Past studies have indicated one of the main unplanned consequences of seeking success rather than learning from failure is an inclination to carry mistakes forward and forget the true lessons one can learn from failure (McGrath, 1999). Other authors believe learning from repeated success can also ensure future failure. “Long periods of continued success foster structural and strategic inertia, extreme process orientations, inattention and insularity” (Baumard & Starbuck, 2005, p. 283). It seems there is disagreement among the various authors as to what action will benefit the future success of an enterprise. This variation in thinking among the researchers enabled a discussion during the interview process to determine whether the entrepreneurs believe not only failure, but perhaps both failure and success in business, has the ability to affect the future success of business ventures which potentially are forthcoming.

Explaining the future plans for each entrepreneur, required a detailed look toward the future with each and what they have planned, be it more new businesses, improve existing firms, or to pursue exit strategies and discontinue operations completely. Their input provided a relationship between the various people and how failure has affected their ability to continue in business. Several other issues were investigated. Has the failure of a business affected the way the entrepreneur has looked at pursuing future endeavors? Can failure be a driving force in the decisions an entrepreneur makes regarding their future? Perhaps failure is a deciding factor in whether to open more businesses and could it have a long-term effect on the entrepreneur?

8.7.2 The effect of failure on future endeavors

Everyone in business who experiences a failure is affected at some point by disappointment, some more than others, but everyone is affected. How the entrepreneur handles the after-effects of the failure is of great importance to this study. All of the entrepreneurs interviewed indicated their failure, even though it was traumatic at the time it was occurring, was a relief when analyzed at a later date. The important factor which emerged during the interviews was everyone's future plans were affected in one way or another by the failure. According to each entrepreneur, the future holds only positive events for them, and, because of the failures, their outlook for the future has changed, as well as their perception of their own abilities to operate their businesses in the future. Also, due to the failures, the entrepreneurs overall have a different outlook toward business creation and how they go about the practicalities of fulfilling their opportunity recognition.

The framework for this paper required a detailed look forward with the entrepreneurs as it pertained to their future business plans. The responses given would provide an in-depth look at any relationship between the various people and how failure or time has affected their ability to continue in business. It is possible failure can affect the way the entrepreneur looks at pursuing future endeavors and perhaps failure could be one of the driving forces in making an entrepreneur successful. The interviewees must be asked whether failure was, in fact, a deciding factor as to opening more businesses and did the failure have a long-term effect on the business person?

8.7.3 Future decision making

As a result of their failures, each of the entrepreneurs has become more conservative as it pertains to how they will approach making decisions in the future. The methods the entrepreneurs will utilize in making future decisions are shown below by way of their quotes. Entrepreneur B was the most well-expressed on this subject. When asked whether any of his missteps from the past influenced his ability to make decisions, influenced his outlook, or changed his plans for the future, he had the following to say:

> Absolutely, I think it goes back to risk aversion, the care I take in analyzing my businesses and future businesses, the fact that I can finance anything I want, and just because I can buy it, due to my past experience I am more careful and will analyze everything to ensure our success. I always felt like before, if I don't buy this today, somebody else is going to get it. Now I've come to the conclusion, well if somebody else gets it it's just too bad; I am going to do my due diligence. I study the proposal, I get my CPA involved, I get the boys involved, I talked to the bank about the cost of money, and if I fail to do this in time and someone else buys the business, it's just too bad, I have to be sure that I am doing the right thing. Every bit of this analyzing is as a result of, what did you call them, missteps?

The same attitude expressed by Entrepreneur B was shared by all of the entrepreneurs in various ways. Entrepreneur A stated he is more diligent in investigating opportunities, and is working conscientiously to include more employees in the decision-making process and free himself from some of his commitments so he can better "see the big picture". He continues:

"I don't think I would bring in any partners as I would not like to have anyone interfering in my business. I do not want to be tied to any major airlines, and I don't have a problem with going into debt."

In a follow-up telephone interview, when asked how the decision-making process has changed for him since his failure, he said:

"I am more careful than I was ever before. I think the years and my work experience have taught me to more carefully analyze every situation and even though it is not in my nature, I do ask others for advice."

Entrepreneur B offered great reflection in his answers as they pertain to decision-making for future ventures. He is very proud of his sons being a part of his business and admits their presence has improved the overall operation of his portfolio. The inclusion of his sons has provided him time to fully investigate every new venture and also time to devote to finding the proper people and procedures he feels are necessary for future success. These changes in his abilities and attitude have come about as a result of his life experiences and prompted Entrepreneur B to offer the following:

"I would do the exact same thing again tomorrow, the only difference would be that I have more knowledge now than I had then, and with that knowledge I would be more successful…I used to feel that it was me against the world and I did it all myself. Now we try to do things as a group or a unit rather than just me. I try to get another motel owners involved when it comes to issues that need our attention. At one time I try to do everything myself, that was my philosophy. I would take on anybody or anything. My philosophy has changed to fit my experience".

The remaining entrepreneurs were not as forthright as it pertained to their ability at future decision-making processes. The three of them were hesitant to admit their past decision-making processes could have been anything but perfect. Entrepreneur C stated one of the things she has learned through her years of experience is she is not able to be in all places at all times and some day she will have to relinquish a portion of her business operations to others. This is not something she is looking forward to, yet understands when she does she will probably be more successful than she has been in the past. Entrepreneur D could never be convinced his decision-making process was possibly flawed and changes must occur in the future in order for him to find continued success. He does state he is willing to allow his first set of franchisees in the closet business to assist him in future decision-making but only for the closet firm. His other ventures will remain his own, and he will continue to make the decisions for those firms. Finally, Entrepreneur E shares similar sentiments concerning his decision-making processes. Since he is convinced the failures he has experienced in the restaurant business were not viewed by him as being his fault, he states he would not change anything about his ability to make decisions. As one converses with Entrepreneur E concerning his businesses, it is obvious, without hearing it in words, he, as well as the others, are more conservative in their overall decision-making processes, and this can be attributed to their past failures.

8.7.4 Future failures

When queried about whether the entrepreneurs anticipated future failure in their portfolios, the answers they offered were almost comical as they leapt back and forth between yes, no, and maybe. No one seemed to have a straightforward answer to this question. Entrepreneur A stated unequivocally, "no"; he did not think he was going to have another failure in the future unless external factors he had no control over occurred.

> "There are so many external factors that I have no control over that could cause me to have a failure, so I must say, yes, I will have another failure; the difference is that I will be prepared this time".

Entrepreneur B said there would be no failures in his businesses, well, maybe small failures, but he would be prepared for those this time. Entrepreneur C stated if a failure did occur it wouldn't affect her at all; she would "just jump into her next business". Entrepreneur E said there would not be failures in his future as long as he did not have to depend on other people. If he is able to make his own decisions, there will be no failures. If others get involved, yes, there will be failures. And finally, Entrepreneur D offered the grandest quote of all:

> "I don't think that I can't really answer that honestly. Entrepreneurs tend to wear rose-colored glasses. The reason they wear these glasses is because they have to. If you saw the wall that you were running head-on into, you would probably quit running. I don't think that there is ever a true entrepreneur that thinks they're going to fail. It might sneak up on you and grab you like it did me, but I don't think anyone would be willing to admit that they're going to have a failure strictly because they don't believe that they will. I have always, right up to the very, very end of my marketing company, thought that my shaving gel was going to be a huge success. It wasn't."

Their intentions are pure, and they believe wholeheartedly failure has occurred in their past, and due to the lessons they have learned, failure will not be a part of their future, unless, of course, something changes they have no control over.

8.7.5 Planned future firms

As was the case in the previous sections, all five interviewed entrepreneurs were very specific about their future plans. Each entrepreneur had detailed goals which they shared, some freely, while others required a bit of cajoling before they would explain themselves. This section will simply outline each entrepreneur's plans with little dialogue, since it is proffered simply to offer a glimpse into the makeup of the entrepreneurs. As one reads the quotes, it will become obvious each entrepreneur has a definitive plan for the future. The quotes chosen and presented here accomplish the call set forth by Carter and Ram (2003) in which they argue future studies of portfolio of entrepreneurship should focus on the processes that are being utilized by business people to move forward in the future.

Entrepreneur A

> Sometime in the future I plan to start a small airline, one or two airplanes. This would be a tie in with the program that the government is discussing to provide small airline access to remote locations

around the U. S. and would free the congestion possibly at some of the larger hubs. There would be point-to-point service between cities without having to access Chicago, Atlanta, Denver, etc. My plan would utilize many of the new technological advances that have come about in recent years. It would utilize the technology of the small aviation or the small aircraft transportation system. It would not fit their mold, where they are planning to use the smaller jets; it would probably be more in a remote area of the country. The reason for this is that the new technology would work for me better in the small areas. Since I already have the credentials necessary to carry this out, implementation may not be a problem. Another business that is of great interest to me is to start an air show business. I would like to do air shows and tie that in as an advertisement for my other businesses and potentially my passenger service. With the advance of SATS (small aircraft transportation service), I think that this is going to become the wave of the future, so to speak, right now. On the front end, everyone is wanting to use the very light jets, and I think I will let that get started first and let the technology filter down. There will be a greater need in the form of a less expensive airplane that will carry several more passengers into remote areas.

Entrepreneur B

I'll probably not do anything right now that involves going into debt, but will wait for the (original motel) to sell and then I will have sufficient capital to do whatever I want. We will probably venture out, but we will only venture further into the motel business. I will avoid other areas such as convenience stores as I have learned that my expertise is in the motel business.

Entrepreneur C

I already have it lined up. I have already started thinking about what to do next. (Laughter). You know, I already have two more businesses in my head right now, things I want to do…. I will not let anything keep me from realizing my ultimate goals. I would just move in to the next business that I have planned. I have a couple of things positioned as we speak that could become a reality in just a little bit…I want to start a school for entrepreneurs that can be franchised…I would like for it to be specifically for women.

Entrepreneur D

(An) idea that I am working on at this time actively, is to enlarge my Internet sales company. I would like to have more Internet sales coming in, and when the shaving gel becomes a big seller, I will not have to pull funds from anywhere hopefully…In five years I see myself strictly selling franchises, or giving franchises away, whatever you call it. In addition, I see myself getting 400 or 500 of my franchisees and inviting them to the annual convention where I will be speaking on stage and motivating those people to drive the vision of our company…I am currently enjoying a great deal of success but I am confident that the next five years will certainly provide me with even more.

Entrepreneur E

If someone approaches me with the proper deal, perhaps yes (I will open a new restaurant). Am I going to go out looking for restaurants to purchase, no. This does not mean I have written off ever owning restaurants again. Just because I had a failure, does not mean that I need to forget owning restaurants in the future. I learned an awful lot from that closure, and I probably would welcome the opportunity to go back in the restaurant business…I want to maintain good health. Without being in good health, all of the material things that I can amass will mean nothing unless I'm able to enjoy them, so my first desire for the future is to stay healthy. Beyond that, I'd pretty much like to continue building apartment complexes, and to continue financing businesses for up-and-coming entrepreneurs. What did you call me at the beginning, some kind of angel?

8.7.6 How to achieve ones goals for the future

This section, like the last, will contain quotes from the entrepreneurs to enable the reader to have a lucid picture of their work ethics and their dreams. This information will not be directly analyzed but will assist in reaching conclusions about the entrepreneurs. The question each was answering queried:

> "If you would, in just a couple of sentences, explain how you plan to achieve your goals for the future and what characteristics will enable you to achieve your goals"?

Entrepreneur A

> I will remain diligent in my work, no matter what happens. Nothing can knock me down, and if it does, I will get right back up. I will remain focused and will concentrate on, what was the term, opportunity recognition, and I will prove to only myself that I have the ability to continue to open businesses, run businesses, and enjoy every day that I spend at my companies.

Entrepreneur B

> I am going to stay involved. Now, it might be via telephone or e-mail, or computer, but I have stayed involved from the start and I will continue until the very end. I am very fortunate to have two sons who are family men and excellent businessmen, and have excellent work ethics, but the fear of what happened to me years ago, I don't want to happen to them so I will stay involved. I'd never question their decisions, but I do double-check them all the time. I know you're wondering whether or not they know I'm checking, the answer is, yes. I tell them. The things that happened to me in my entrepreneurial career, both good and bad, I am passing along to my sons so that they don't have to suffer through making errors. You have asked me

several times about whether I learned from my failures. Not only have I learned from my failures, but my sons have also. They won't make the same mistakes that I made.

Entrepreneur C

A single mother of four has as much potential as anybody. She just needs a chance.

Entrepreneur D

(This is) something that I think about quite often, and I may have a completely different perspective on what manifest destiny is, but from my point of view, my manifest destiny is that I see myself as a totally different person than I really am. America's great and it is everyone's manifest destiny to move forward and I think that it is important that anyone who wishes to be a successful entrepreneur be able to look past to the present into the future, or as we say down the road, and figure out what it is they would like to achieve as entrepreneur. This is who I will be someday and in my case, I will not waver from the "who" I think I will be. It is pure faith that tells me I will be successful more so than I am today. Therefore, it is not difficult for me to get back up when I do have a failure because it's my manifest destiny to succeed. I will do whatever it takes to get to the point in the future that I have determined to be my goal. You have to understand I've been saying this since I was eight years old so maybe it's not working real well (laughter).

Entrepreneur E

(Achieving ones goals) does make sense when I stop and think about it; the entrepreneur, the endeavor, and the plan. If these are all working correctly together success should be following soon. If any one of these is out of sync there could be a problem, possibly.

8.7.7 Recap

Just as the past successes and failures of entrepreneurs' businesses are tied through an inextricable bond to the entrepreneur, the future entrepreneurial opportunities are linked in a similar manner. Entrepreneurs graciously accept this relationship, and as they create new business scenarios due to their past failures, they can see only success because of their newfound knowledge and better internal competence in their abilities. This finding agrees with Palich and Bagby's (1995) study in which they concluded entrepreneurs are more optimistic than non-entrepreneurs and "they do not perceive themselves as being any more predisposed to taking risks" (Palich & Bagby, 1995, p. 426). This lack of perception sometimes results in them engaging in activities others may perceive as being overly risky. Also, this outlook held by entrepreneurs can potentially lead to their perceiving certain situations as opportunities while others would perceive the same situation as a risky undertaking. The five entrepreneurs in this study are no different than those in the Palich et al (Palich & Bagby, 1995) study. They want to continue to build new firms and all seem to be confident in their ability to do just that.

The past failures are not seen as stumbling blocks to the entrepreneurs but more as a "right of passage" that will allow them to build in the future with no fear of failures yet to come. They do not believe they will have another failure and, as a result, will move forward, perhaps with little or no regard to the risks. The learning process will protect them from future failure, or so they surmise. The traits that seem to emerge from the interviews indicate they will rely on their perceptions of past experience for success, and as Stokes and Blackburn (2002, p. 18) stated:

> "Owners believe that they learn from the closure process so that they are better equipped to run businesses in future. Even those who have had unsuccessful ventures are motivated to start another enterprise and believe that they are more able to make it work next time because of lessons learned."

None of the entrepreneurs have plans to retire, and because of this, their job of opportunity recognition will continue. They will grow new firms; they will probably experience a failure, some greater than others, but through it all, they will remain portfolio entrepreneurs, and in spite of any future failure, at least in their own minds, they will be successful. As the sections above have shown, all of them have definite plans for their future, and time is the only element which can impede their progress.

8.8 Conclusion

Based on the five entrepreneurs in this study, entrepreneurs are willing to risk their assets, their reputation, even their way of life in order to start a new business. They often did this with little more than a vague idea, but a magnitude of energy and confidence. A working paper by Mason, Carter, and Tagg (2008a) highlights this incidence of risk among entrepreneurs and their findings indicate the amount of risk an entrepreneur will face continues to increase as the firm ages. In spite of perhaps being bootstrapped as a new venture, the value of the firm will escalate over time while the occupational choices of the owners will fall, thereby increasing the entrepreneurs exposure to risk. It is this increase in risk the entrepreneurs in this study have attempted to neutralize by ignoring it and by learning from their failures.

The first part of objective four was to explore the managerial issues that arose from the failure. This was accomplished through a thorough investigation of the managerial topics discussed with the five portfolio entrepreneurs. Research has indicated managerial issues played a major role in the career of entrepreneurs, and they also performed an overshadowing role in the failures. This is not to say managerial issues are always the cause of failures. Managerial styles also played a role in the failures as did risk and sometimes reckless actions, as well as external influences, such as market conditions, that are outside the control of the entrepreneur. According to McMillan et al (Macmillan, Zemann, & Subbanarasimha, 1987), regardless of how hard an entrepreneur works, failure may be inevitable.

> It becomes "obvious that ventures still fail no matter how hard the entrepreneurs work, or how meticulous they are, or what their past track record is like" (Macmillan, Zemann, & Subbanarasimha, 1987, p. 131).

According to Storey (1994), in order for a firm to experience growth and ultimately to succeed, a combination of three characteristics must be present; they are the firm, the strategies, and the entrepreneur. If any one of these three factors is missing, the firm could face failure. Three of the entrepreneurs in this study were resolute in taking the blame for their firm's failures through their own mismanagement. The two remaining entrepreneurs were reluctant to admit their mismanagement had any impact on their failure. As one studies the interviews and the comments of the entrepreneurs in denial, it becomes obvious there was a certain amount of mismanagement on both of their parts. However, this determination of mismanagement should not be construed to mean mismanagement was the only factor involved in the failures. As has been referenced, there were external factors, as well as other internal factors, that led to the demise of these firms. One important factor that must be expressed is all of these entrepreneurs were willing to accept the failures and continue their search for opportunity with little or no thought of their failures.

Small internal failures occurring within a firm prior to a failure should have served as triggers to provide a wake-up call to the owners and managers to inform them of a future potential failure. These were oftentimes overlooked. Four of the five entrepreneurs interviewed agreed with the assessment of small failures. All four of them recognized the small failures, and all four of them chose to ignore the problems. In hindsight, each admitted they, as well as their entrepreneurial peers, often choose to ignore problems in the hope they will solve themselves or just "go away". Entrepreneur C was the only interviewee who claimed there were no series of small failures. She is quoted here to show her beliefs on this matter of small failures.

> "This goes back to the discussion that we had concerning mismanagement. If a person does not stay on top of their company and stay aware of every thing that happens, then a failure will occur. Focus, Jim focus, that's what it's all about."

A discussion prior to the taped interview and follow-up investigations indicate there were small problems in Entrepreneur C's firms, but with her optimistic outlook, it is easy to understand how Entrepreneur C would not recognize those problems.

A recap of the findings for this objective indicated there were management issues, external stresses, internal stresses, a deficiency in recognizing small failures, and problems with managerial styles that led to the failures of the entrepreneur's firms. The failures had little to no effect on the entrepreneurs or their remaining businesses. Short term effects amounted to embarrassment, relief, and an overwhelming desire to start new firms and place the failures in their pasts.

The second part of this chapter dealt with their future plans. As this chapter has indicated, the entrepreneurs have no desire to retire. They plan to continue to operate their current businesses, and they all have aspirations to build more firms in the future. This study has shown all of the entrepreneurs envision greater success for themselves than they had seen in the past, and attribute this success to their newfound abilities in opportunity recognition and their ability to recognize problems within their firms as they arise. This is attributed to their learning from their own failures and their own successes. Few of them believed they would carry mistakes forward into their new businesses, but if they did, they would be able to recognize it and would be prepared to make changes immediately to ensure success. New firms are planned, opportunities are being sought on a daily basis, and all of the entrepreneurs live with the belief they will continue to be successful, even more so than they have up to this point in their entrepreneurial careers. Failure has not been a detriment to their future plans, and once the initial shock of the failure faded, the experience has enhanced each one's drive to succeed in the future, and they all look forward to pursuing future entrepreneurial endeavors.

CHAPTER 9

CONCLUSIONS AND RECOMMENDATIONS

9.1 Introduction

The objective of this thesis was to investigate the effects of entrepreneurial failure on portfolio entrepreneurs and their remaining businesses. Due to the many areas of research the study impinged upon, it can be described as being exploratory in that various findings had few, if any prior research available about them. According to Mason et al (2008b, p. 5), there are few studies on business failure and they actually state that literature "is surprisingly limited". Entrepreneurial failure is a broad subject, and it was for this reason the study turned its focus toward the large, usually exogenous, and small, usually endogenous, failures within the firms and the effect of those failures upon the portfolio entrepreneurs examined for this thesis.

The overarching reasons for failure cannot be identified precisely due to the nature of business itself; no definite or clear determination can be reached. The only undeniable factor concerning failure is it has the ability to affect all businesses and all entrepreneurs at one time or another. The failures may be small internal failures as referred to by Cannon et al (2005) or may be external as indicated by Osbourne (1993). Either way, failure will most likely affect every entrepreneur at some time in their career and could have devastating effects. The entrepreneurs in this thesis did not see their failures as being devastating, but regardless, the potential for a major collapse of their portfolio is possible.

Through the use of case studies of portfolio entrepreneurs, all of whom had experienced at least one, if not more, failures in their businesses, a clear understanding of the effect of failure could be ascertained, and the process of expanding on existing theory could be accomplished. By utilizing a diverse perspective while building the cases and examining the data gathered, it appeared possible that one could take the empirical evidence and accomplish the task of proposing a middle range theory based on those facts. According to Merton (1968), middle range theories are in-between the abundant minor working hypotheses which can be derived from simple research and major, all-inclusive assumptions from which many future uniformities of behavior are arrived at utilizing empirical data.

To reach the necessary conclusions, a well organized set of criteria must be in place. These must include using empirical data, differing characteristics and findings about the various groups of people or businesses. In addition to the criteria, one must have the means to analyze the relationships between the variables and determine the magnitude of those differences. Articles will continue to call for more analytical analysis of data for inclusion into future papers, and by using tools as outlined in this section, literature will become more accurate and useful to the entities that utilize this data for future decisions that involve the entrepreneurs and businesses they create.

This chapter will discuss these conclusions and findings of the research, build on existing theory, discuss the limitations of the research, and offer directions for future research. The study has accomplished its goal by investigating the five objectives which were formulated in Chapter 4, and, as a result, several conclusions, as well as numerous significant and fertile areas of interest for future research, were identified.

9.2 Conclusions based on the five objectives

Chapter four of this thesis outlined the five objectives needed to fully investigate the effect of failure on the portfolio entrepreneur. This section will take the objectives and discuss the findings for each and the prior theories of entrepreneurship upon which each will have a bearing. The objectives were created in an effort to better understand the actions of the portfolio entrepreneurs and attempt to determine why these firm builders are able to overcome failure in their portfolio and continue to build new companies. Due to the small amount of literature available as it pertains to portfolio entrepreneurship, this thesis will compare the actions of the portfolio entrepreneurs and their firms to the actions of non-habitual entrepreneurs and their firms. As this thesis progressed, it became obvious objective four, which explored managerial issues that arose from the failure and the effect of failure on the entrepreneur and the remaining enterprises, could become the linchpin of future research and findings in this thesis.

9.2.1 Objective 1: *To explore the characteristics of the portfolio entrepreneur and the businesses involved in a failure*

In this section, the characteristics of the portfolio entrepreneurs are presented based on the empirical conclusions reached during the interview process and the subsequent follow-up investigations. The argument surrounding the methodology or usefulness of investigating characteristics will not be covered again in this conclusion, as it has been dealt with in earlier portions of this thesis. For the purpose of this conclusion chapter, the discussion of characteristics will be advanced.

The entire process, as discussed in objective one, of illustrating the characteristics of the portfolio entrepreneur and the firms they built enabled this thesis to put forth a clearer understanding of the entire process of portfolio entrepreneurship and failure. Key findings of the characteristics of the portfolio entrepreneur are as follows:

- Have a high need for achievement
- Personal achievement and self-satisfaction is the main driving force
- Enjoy talking about themselves, their successes, and their failures
- Abilities at opportunity recognition seemed to diminish with age
- Learn from their failures
- Are risk takers
- Are willing to accept the consequences of failure if it occurs
- Retained their original business while starting new ventures
- Freely discuss their accomplishments as well as their failures

Each of these characteristics were brought out in prior research (Caird, 1993; McGrath & MacMillan, 2000; Shane, 2000; Alsos & Carter, 2004; Schmitt-Rodermund, 2004).

The firms owned by the entrepreneurs in this study adhered to the processes as outlined by Aldrich and Martinez (2001) and Carter et al (2004). Three characteristics deemed necessary to success in an entrepreneurial undertaking were knowledge, sufficient capital, and networking (Aldrich & Martinez, 2001). New firms require innovation and acquisition of human capital and are also characteristics of the entrepreneurial process. Carter et al (2004) identified another process characteristic of portfolio entrepreneurship by indicating portfolio entrepreneurship offered a firm new growth opportunities, which referred to either a "product development or a diversification strategy" (p. 96). Hofer and Bygrave (1992) identified distinct characteristics they considered significant in the entrepreneurial process, initiated by an act of human volition, holistic in nature, unique, and involve numerous antecedent variables. All of the enterprises highlighted in this thesis, basically fulfilled all of these characteristics, as did the efforts of the entrepreneurs.

Age of the entrepreneur and the age and size of the firm, according to Storey (1994), played an important part in ones ability to succeed in business. Findings from the Small Business Administration, shown as Table 2.2 in this thesis, also indicate size of the firm matters. In follow-up interviews for this conclusion chapter, three of the five entrepreneurs indicated that if their firms had been larger, they would have still experienced the same failure. Size was of no consequence to any of the three. Entrepreneur D indicated that if his firm had been larger, he would have probably experienced a larger loss and nothing more. Entrepreneur A was perhaps most emphatic when discussing this concept. "My companies are all about the same size, and the only one that failed is the one I lost interest in". Entrepreneur E stated that his failed restaurant did not fail because of its size, but more due to an overabundance of interference from the partners. None of the entrepreneurs expressed any concern about the size of their companies during the initial interviews. Perhaps, had the firms been of a larger size, the entrepreneurs would have been compelled to stay more involved in the processes, but due to the small size, they assumed that there would not be much of an affect on their remaining firms. The fact that they had other firms to occupy their time, and the fact that one firm was failing, was of little consequence to them.

The amount of investment in the failed firm from both a business and a personal perspective could elevated the amount of grief (Shepherd, 2003; Shepherd, Wiklund, & Haynie, 2009), but even Entrepreneur D, who lost almost everything he owned in his failures, was not overly concerned that his companies failed, he simply looked forward to opening additional businesses. It is not possible to make an unequivocal determination as to the affect firm size or age had on the companies, yet it is clear that the entrepreneurs did not think that their failure was due to any difficulty other than their own inattention and lack of recognizing the antecedents of failure that were occurring. Each of the subjects in this study stated that they were more aggressive in their pursuits at younger ages. Again, converse to Storey's (1994) findings, and in spite of aging, they were continuously searching for opportunities and laboring to identify any opportunities of which they could take advantage. Their failed firms were built with grand designs, hopeful of success, but also realistic in that closure was always an option if success, as they perceived it, was not present.

9.2.2 Propositions from objective one

Proposition 1 - *The desire to retain one's first business while building new firms is an accepted objective among portfolio entrepreneurs.*

According to Alsos and Carter (2004), "the main differentiating feature of portfolio entrepreneurs is that they retain their original business while starting other ventures … (p. 1)". Four of the five entrepreneurs interviewed for this thesis continue to be the owner of their original business. The one exception to this indicated that if the option to retain the original business was his, he would have chosen to keep it, but unfortunate circumstances forced him to discontinue operations.

Proposition 2 - *Portfolio entrepreneurs are more concerned with their personal achievement than they were about the potential rewards of success, those being praise and financial gain.*

This was indicated by the fact all five entrepreneurs expressed a high need for achievement as one of their ideal characteristics. Money was not the driving force in their career; self-satisfaction, through the successful operation of their businesses, seemed to be their driving force. One additional characteristic was that all of them, without exception, enjoyed talking about themselves, not in a bragging manner, but more so out of pride at their accomplishments and their successes.

Proposition 3 - *Portfolio entrepreneurs are more eager to exploit their abilities at opportunity recognition at a younger age, and these skills diminish as they grow older.*

The results of the analysis of the entrepreneurs in this study indicated the ability, or perhaps the desire, to build new firms appeared to diminish with age. It was evident that all have retained their entrepreneurial intentions but have not acted on those intentions. Could this mean that opportunity recognition also diminishes with age? Entrepreneur D is the youngest of the five entrepreneurs and could explain why he continues to seek opportunities; however, he has not built a new firm in four years. One can ascertain portfolio entrepreneurs may be more aware of opportunities for both vertical and horizontal growth in their firms; and being young, they may have been more able, physically, to handle the challenges posed by the creation and operation of a new business.

Proposition 4 - *Portfolio entrepreneurs have the ability to recognize the inability of a firm to continue to function, and will discontinue operations more quickly than a non-portfolio owned business.*

A very interesting facet of the failures, and one that was not covered by any existing portfolio entrepreneurial literature was the short time the firms remained in existence prior to disappearing. It is a fact that most failures in the United States occur among very young firms, as indicated in the study by Headd (2003) in which he indicated 50% of firms exit within the first four years of business. Entrepreneur B owned two of his failed businesses for four years, and two for three years; everyone else interviewed discontinued their firms within one to two years of their inception. This should not be construed only to mean that new businesses fail more quickly than Headd indicated, but that portfolio entrepreneurs may also have the ability to recognize the inability of a firm to continue to operate.

9.2.3 Objective 2: ***To explore the entrepreneur's motivations for multiple business ownership and the relationships that exist between the various businesses that the entrepreneur has started.***

The inference that could be made from the term habitual entrepreneur is of an ongoing process which is continuously searching for and identifying opportunities that may be exploited by the entrepreneur. However entrepreneurs do not always seek only new opportunities, but due to their alertness, they are able to identify and seize new opportunities that others may overlook. According to Baron (2006), entrepreneurs utilize a cognitive framework they acquired through experience to recognize relationships between unrelated events and are then able to tie the various components into a unit and a new firm is created. When one continues to pursue this activity for long enough time periods, a respectable portfolio of enterprises can be obtained by the entrepreneur (Rosa, 1998). A part of the growth within the portfolio was due to the entrepreneur's ability to see new opportunities as a result of being in a prior business (Ronstadt, 1988). The following table offers quotes from the entrepreneurs to bolster this finding:

Table 9.0 – Quotes on motivation for multiple firm ownership

Entrepreneur	
A	"I hoped that at some time to tie the insurance business in with an aviation insurance business. I thought that this would be a natural progression from owning a flight school, to patrols, to sales, and finally owning my own insurance company which would save me some money. This would enable me to offer a full line of products to my customers"
B	"I think that an entrepreneur must be enabled to recognize opportunities". "I had to recognize opportunities, I would pick up the paper, and I've don't look for commercial property for sale, I'll look for foreclosures, I look at tax sales, I get on my computer, I looked to see who has filed bankruptcy and other things like that"
C	"It seemed like every time I turned around, a new opportunity was handed to me". "I think being prepared to take advantage of an opportunity is more important than seeing an opportunity. You need to be ready to jump when an opportunity comes along, and if an entrepreneur is not ready to jump, the opportunities will pass them by"
D	"I think that I am constantly looking for opportunities. My car wash is an example of my opportunity recognition ability. I was working at the fire department… I began looking at the paper for opportunities. I found an ad for a car wash attendant in the "jobs" section of the classifieds...I ended up purchasing the property for $6,000 less than the appraised value and was able to obtain 100% financing from a bank to carry out the purchase. Within two weeks I was making money, kept the business for two years, sold out and tripled my money."
E	"I know from personal experience that some of my best companies came from me being able to see the opportunities where others could not. I had a situation where I was able to open a small construction company in order to avoid having to pull permits for one of my earliest apartment complexes. At the time I was only interested in saving the profit that a construction company owner would charge me for obtaining permitting, but as a result, this small company grew into a fairly large construction firm doing work for others and not just me."

As one searched for relationships between the various firms, it became obvious that all of the firms operated by the five entrepreneurs had certain behaviors in common that had to be investigated in order to establish the relationship among them.

All of the entrepreneurs interviewed for this thesis owned a dominant firm, and for four of the entrepreneurs, the dominant firm was the first firm built. The findings of this thesis indicate that in spite of the common ownership, a sharing of resources, or financial assistance from the dominant firm did not exist. In spite of the fact there was an occasional exchange of resources between the dominant firm and the new firms, there was no data to support a factual determination that a strong relationship between the firms existed or that multiple business ownership came as a result of the links between the existing businesses.

The most common relationship, as indicated by the entrepreneurs, was the entrepreneur themselves. Most of them appeared to work diligently at maintaining a separation between the various firms. This was not to say that the entrepreneurs avoided any connections between the firms, as there were indications numerous inter-firm ties were established. As their firms went about their daily operations, buyer-supplier relationships were developed and other strategic alliances which allowed a free exchange of information and knowledge and other types of capital. These alliances were mainly developed in order to find a competitive advantage that could be exploited by the firms and the entrepreneur. According to Koka and Prescott (2002), this exchange was referred to as social capital and through these exchanges, entrepreneurial opportunities were created, as well as a pattern of commitment between the various firms. The extent to which the exchanges took place varied according to the entrepreneur, but the trading of social capital was never enough to create a permanent link between the businesses. It was, therefore, determined that with the exception of an occasional loaning of office supplies or perhaps a replacement employee in case of a vacancy, the only tangible relationship that existed between the firms owned by these entrepreneurs was the originator of the firm, the entrepreneur him or her self.

In this study, one could not determine any relationships between the firms that would have motivated the entrepreneurs to create new firms, or to distinguish any robust relationship between the firms. Business assets are sometimes considered the common link between firms. Some of these assets that are shifted from firm to firm include equipment, money, employees, and even family. It can also extend into policies and management styles. Again, in this study, resources were not shared on a regular basis and could not be considered as a major relationship among these enterprises.

This thesis has shown the major motivation for building multiple firms was the entrepreneur's personal need for achievement (Caird, 1993; Schmitt-Rodermund, 2004). Risk was not a factor in their decision and they did not consider the act of new business creation as being more risky than any of their other achievements. Cooper et al. (Cooper, Woo, & Dunkelberg, 1988) indicated that failure could possibly come about as a result of reckless and risky activities by owners who are overly optimistic and do not think of failure as a potential consequence of their actions. Baron (2006) indicated that the perception of risk is a basic component of an entrepreneur's cognitive ability and if one fails to recognize this, they are potentially facing failure. The entrepreneurs in this study did not perceive the risky nature of building new companies, yet they knew that failure was a possibility in each of their undertakings. This misstep can be traced to the entrepreneurs becoming overly confident in their own ability and concurs with Trevelyan (2007) who found that optimism sometimes prevents an individual from acknowledging there are risks inherent in searching out new endeavors. As was the case with the entrepreneurs in this study, overconfidence may have played a role in their failures, and could potentially play a role in future ventures due to their own perception of their knowledge and ability. They were no more predisposed to taking risk than any other entrepreneur.

Opportunity recognition (Baron, 2006) was one of the frequently mentioned qualities that enabled them to create multiple firms. Taking advantage of the economies of scale was occasionally mentioned, but this was not a major consideration for any of the entrepreneurs. As to the relationships between the various firms, very few links exist. The only commonality expressed by the entrepreneurs was that they themselves are the relationship between the various firms in the portfolio.

Key findings regarding the entrepreneur's motivation for multiple business ownership:

- They enjoy it and are driven by their high need for achievement
- Are more optimistic than non-entrepreneurs
- Do not perceive themselves as being anymore predisposed to taking risks
- Perceive certain situations as opportunities instead of risky undertakings
- Take advantage of the economies of scale

Key findings of the relationships between the companies in the portfolio of enterprises:

- The entrepreneur is the major relationship between the enterprises
- There is no sharing of major resources between the firms
- There is no evidence to support the idea that multiple business ownership came as a result of the links between the existing businesses.
- There is no evidence to support a relationship between the firms that would have motivated the entrepreneurs to create new firms, or to distinguish any robust relationship between the firms.

9.2.4 Propositions from objective two

Proposition 5 – *Portfolio entrepreneurs create multiple enterprises because they enjoy it and are driven by their high need for achievement.*

Shaw (2006) indicated firms can achieve a competitive advantage by sharing resources and networking. In each of the firms owned by the entrepreneurs, there was an exchange of resources between the dominant firm and the new firms; however, there was no data to support a factual determination that multiple business ownership arose as a result of the links between the existing businesses. In spite of the competitive advantages gained by this sharing, there was no evidence given by the entrepreneurs that would lead one to suspect their desire for multiple ownerships could be tied to a particular relationship or resource sharing between their existing firms. Also, the management style utilized by the various entrepreneurs would not support a definitive decision on motivation for multiple ownerships and could not be utilized to explain their portfolio entrepreneurship.

All of the reasons which have been considered and ruled out as being a primary reason for multiple business ownership, when combined, do augment the motivations of the entrepreneurs; however, the over arching reason for multiple ownerships was based on the high need for achievement each possesses. This finding agreed with the work of researchers who indicated a high need for achievement is one of the main characteristics shared by entrepreneurs (Caird, 1993; Schmitt-Rodermund, 2004). Fundamental incentives such as profit or the utilization of assets existed for all of the entrepreneurs. In spite of this incentive, ultimately, they built multiple enterprises because they enjoyed it and were driven by their need for achievement.

9.2.5 Objective 3: ***To explore the entrepreneur's perceptions of the antecedents and causes of the businesses failure and to examine any exit strategies deployed by the entrepreneur to divest the failed business.***

The antecedents to failure, or the small failures as referred to by Canon and Edmondson (2005), refer to the early warning signs of problems which, when acted upon, may help the firm avoid catastrophic failure. Each of the entrepreneurs in this study, in hindsight, observed the antecedents to their failure, and all chose to ignore these early warning signs, choosing instead to categorize them as a temporary problem that would go away by itself. Four of the five entrepreneurs credited a lack of interest or a lack of focus on their part as the primary cause of the downfall of their respective firms with one attributing the failure to a poor managerial function. As one deliberated the differences in these reasons, it became obvious they were all deficient in managerial function, and internal problem. Several researchers (Millington, 1994; Watson & Everett, 1998; Liu & Pang, 2004) have attributed entrepreneurial failure to external problems such as government regulation, the economy, and changes in customer buying habits as well as several others as highlighted in Table 2.1. Contrary to their findings, the subjects of this thesis were not detrimentally affected by external problems. Epistemic blind spots, the inability to see the warning signs that occur in a firm, as well as poor managerial function (Gaskill, Van Auken, & Manning, 1993; Choo, 2008) can be blamed for the failures of the firms.

A majority of the firms failed, according to their creators, as a result of lack of attention or a lack of focus by all of them in their individual firms. A lack of attention by the portfolio entrepreneur was the primary cause of failure.

Table 9.1 – Major reason for failure according to the entrepreneurs

Entrepreneur	
A	"I did not spend the time at the insurance company that I should have, this was the problem. It is hard to admit, but I guess I would have to admit that it was in fact a lack of managerial function, I wasn't there."
B	"I found that I could not rely on somebody else to take care of my business…I believe that the first major problem was management style, or lack of management. I turned these businesses over to someone else who only saw money coming in and did not see the money going out."
C	"I simply closed the doors because I did not have the time to devote to it"
D	"I think the biggest problem that I had was boredom. The business was not fun day in and day out. Sure there were days where it was exciting but most days it became very boring. It was the same thing every day, and at some point I would have gotten out of that business anyway due to being bored."
E	"I think that part of the problem we have as business owners is that we sometimes tend to overlook problems, thinking that they will go away in time. This is exactly the opposite of the truth. Problems do not go away in time; they only get larger." "Perhaps we should have been more aware of what was happening right under our noses."

As can be ascertained from these quotes, the reason for failure in all of the entrepreneurs firms ranged from not enjoying the firm to other endeavors that required their consideration, to a lack of time needed to properly oversee a new firm.

Key findings of the entrepreneur's perceptions of the antecedents to failure:

- Lack of interest or focus in the firm

- Mismanagement by the entrepreneur
- Insufficient time to devote to the firm
- Thievery and inventory control shortcomings
- Choosing to overlook the antecedents
- Failure to dedicate sufficient resources to the firm
- Lack of dedication and allegiance
- Failure to act in a timely manner
- Cash flow or funding problems
- Inability to attract outside investors
- Failure to recognize the signs of failure
- Managerial ineptness

The five entrepreneurs all utilized closure as a strategy for discontinuance. In spite of them all utilizing a closure, selling out was their preferred strategy. When questioned about this obvious contradiction, each offered varying reasons, but the most common answer involved money. All of them equated selling out to making money, but when it was time for them to discontinue operations, they opted, in spite of their beliefs, to simply close the firm and walk away. Researchers (Headd, 2003; Coelho & McClure, 2005) have held out that often failure can lead to ultimate success as the entrepreneurs can maximize their resources and efficiencies and that this can occur even when the firm is making money. This was not the case in this thesis. The entrepreneurs were not making money with their closed firms, and the time that was being consumed kept the entrepreneurs from pursuing other opportunities they deemed more important. Of the four exit strategies investigated, failure, closure, a sellout, or a bankruptcy, sellout was the sole strategy that was found to provide an absolute positive outcome. The entrepreneurs stated their closings were all positive, but their opinions should be considered an effort to "save face".

The five entrepreneurs were in total agreement, their use of exit strategies ended positively. The fact that all of the entrepreneurs had little or no emotional ties to their failed businesses were analogous to past research which discussed the concept of positive affect (Mitchell et al., 2007; Baron, 2008). Persons who experience positive affect will perceive favorably what others see as negative. In this case, the portfolio entrepreneurs were good at deescalating their commitment to their various businesses without an escalation of commitment as is sometimes the case in the face of failure. They did not become psychologically involved with the closures and were able to "cut their losses" with little or no emotional involvement, a positive affect.

Creative destruction was another exit strategy that was viable, according to three of the five entrepreneurs. The term “creative destruction” was coined to denote a "process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of creative destruction is the essential fact about capitalism” (Schumpeter, 1947, p. 83). The entrepreneur’s comments ranged from it being the only way the economy could grow, and that creative destruction was second only to the sellout as a strategy. There is an ongoing discussion among researchers as to the benefits and liabilities of creative destruction. Knott and Posen (2005) argued the strategy is good for the economy, while others, such as Meckstroth (2005), claim creative destruction is causing a serious decline in available jobs. Additional exit strategies were investigated and another strategy which was common to all five entrepreneurs was a lack of the use of bankruptcy. As was the case of selling out, all of the entrepreneurs deemed bankruptcy as a viable tool to assist in exiting an unwanted business.
Key findings of the exit strategies in which the portfolio entrepreneurs believe in or had past personal experience:

- Sellout – Used sparingly
- Closure – Most widely utilized
- Bankruptcy – Never utilized
- Creative destruction – Used only once

The research performed in these case studies revealed portfolio entrepreneurs conform, in some cases, to the models of non-portfolio entrepreneurs. This included their ability to recognize the antecedents to failure, yet they deviated from the norm in their choice of viable exit strategies. They acknowledged the antecedents to failure and recognized them, yet they often chose to ignore the early warning signs which the antecedents present. They were ardent in their desire to divest themselves of firms that were not operating according to the standards they had created for themselves. As was the case with the portfolio entrepreneurs in this study, they are subject to ineffective management function, the difference being their willingness to discontinue operations without expending great energies and resources in trying to save those struggling firms.

To a non-portfolio entrepreneur, selling out to maximize resources and gain much-needed assets would be preferable, but these reasons were not as significant to the portfolio entrepreneur while convenience and time savings were more important.

9.2.6 Propositions from objective three

Proposition 6 – *The exit strategy of choice for portfolio entrepreneurs is closure rather than attempting a sell-out.*
The literature on exit strategies indicated selling out as a preferred exit strategy among entrepreneurs (Headd, 2003). According to the portfolio entrepreneurs in this study, this concept was correct. All five stated a sellout was the preferred exit strategy, even though they chose closure to divest their business. Each indicated the difficulty encountered in attempting a sellout far outweighed the benefits a sale would impart; therefore, closure was chosen. This action was contrary to the beliefs they held. Their desire to focus their efforts on the successful firms surpassed the need for resources from the underperforming firm. It can, therefore, be assumed the exit strategy closure was the preferred method among portfolio entrepreneurs.

9.2.7 Objective 4: *To explore the managerial issues that arose from the failure and the effect of the failure on the entrepreneur and the remaining enterprise*

Managerial issues have long been studied as a primary cause of failure in business (Storey, 1982; Cooper, Woo, & Dunkelberg, 1988; Gaskill, Van Auken, & Manning, 1993; Cope, Cave, & Eccles, 2004; Cannon & Edmondson, 2005). Their studies have explored managerial failure, managerial issues, managerial function, managerial deficiencies and risk and return; in general, researchers have studied the inability of entrepreneurs to successfully manage their own affairs, employees, and firms. When one discusses managerial issues with a failed entrepreneur, the entrepreneur will possibly be reluctant since any opinion they offer could be an indictment of their own abilities. Therefore, in an attempt to explore the consequences which arose from the failure, one must explore the managerial issues that were present prior to the failure and any changes occurring as the failure became more imminent.

A major problem occurred during the failure of each entrepreneur's business, and could be traced to their choice to ignore managerial issues. These were arising on a regular basis within their firms, and included problems such as a lack of time devoted to the firm. Several of the entrepreneurs believed they were allocating sufficient time but, in retrospect, realized that their time was not being spent wisely. Beaver (2003) stated that a major cause of business failure is due to the lack of entrepreneurial competencies by the business owner. This is an endogenous problem and can perhaps be traced to an inability to learn from failure or entrepreneurial learning. Another study stressed the importance of learning competencies early in one's career and stressed that by doing so, the chance of success are enhanced and the chance of failure is diminished (Schmitt-Rodermund, 2004).

Learning from failure is a major topic of study. Researchers have indicated that few studies on entrepreneurial learning have taken their propositions from observations and have utilized anecdotal evidence (Shepherd, 2003; Cannon & Edmondson, 2005; Cope, 2009). Each of the entrepreneurs in this thesis indicated that their ability to learn from failure is the single most important aspect of their ability to succeed in the future. The following table outlines some of their comments:

Table 9.2 – Comments on learning from failure

Entrepreneur	
A	Any type of failure can provide a learning experience. I guess the best way to put this is that I am looking back, but thinking ahead and consistently judging where I am at that moment. When I consider the success and I have enjoyed, it too can be considered a learning experience and would make me more aware to economize on resources and take full advantage of all available resources, and I believe that in doing so this would lead to greater efficiencies in my future businesses.
B	I think entrepreneurs tend to learn from their mistakes. Learning from mistakes could be the main thing that sets entrepreneurs apart. I am smart enough to have learned from my mistakes so now I keep all of my businesses in an area that I understand and can control.
C	I think that one of the main things I learned is that I am limited in certain respects, in terms of what I can do. I see a difference in the first businesses I started and the businesses that started later on. I take pride in learning from my mistakes
D	Learning from failure is one of the most important factors as to it being the most important factor; I would say that it could be the most important factor. The true lessons in life come from hard knocks sometimes.
E	I think that it possibly could be one of the most important tools that an individual can use if they are willing to learn from failure. Past experience would not be reserved just for businesses, it's part of the growing process for everyone. I don't think that failure is the only thing that one would learn from. Success breeds success and I know that I learned more from being successful than I have from having my failure.

The entrepreneurs interviewed for this thesis demonstrated at least one, if not both, of the characteristics of epistemic blind spots and risk denial (Choo, 2008), both of which were defined as early warning signs of impending failure. The ultimate result was failure for them. Some of the entrepreneurs were willing to accept more risk than others and, at times, more risk than was necessary. Entrepreneur D was one willing to risk everything for success. Each person’s concept of risk differed and what seemed risky to one was not risky to others. After the failure event, changes occurred in the perception of risk, again, some more than others. Risk aversion appeared in some, and, as a result, they are more cautious in all their transactions. Minimizing risk was important to each entrepreneur, but risk and risk aversion would not stop further expansion in the portfolios of these business people.

The effect of failure on the emotional state of the entrepreneurs was negligible; therefore, an investigation into the various emotions they encountered during the failure process was in order. Joy, acceptance, relief, fear, anger, disgust, and surprise, were all discussed. The only emotions disclosed by the entrepreneurs during the failure occurrence of their firms were joy, acceptance, and relief. The remaining four emotions, all negative, were not considered as viable by any of the entrepreneurs. Table 8.0 discloses their quotes as it pertained to their emotions. A sampling of their statements includes, "I was glad when it closed", "closing actually freed me up", and "I never looked at any of this as failure, it is just one of those things that happens". Even though this is only three of the many quotes offered in table 8.0, all of the statements were positive.

Past work involving the emotional state of entrepreneurs was furthered by Shepherd et al. (Shepherd, 2003; Shepherd, Wiklund, & Haynie, 2009) who discussed the aftereffect of failure from an entrepreneurial perspective. They indicated that grief was a major emotion that followed a business failure and characterized this as a negative emotional response, stating that one must overcome the negative responses in order to learn from their failures. Learning from failure is not automatic; therefore, when an entrepreneur learns to handle grief, they can then learn from other negative events. They stated that by undergoing grief recovery, the interference from the failure will be removed completely. In his paper there was no reference to the type of entrepreneurs to which these findings referred. The findings of this thesis indicate that there was no grief associated with their failures; therefore, it is important to supplement Shepherd’s assessment with additional information that is intrinsic only to portfolio entrepreneurs by stating that portfolio entrepreneurs do not grieve over the loss of one of their firms, but do, in fact, find relief that potential problems within their portfolio have been resolved by the failure.

By analyzing the information given by the portfolio entrepreneurs, it becomes obvious that they have an ability to utilize various methods of overcoming or disregarding failures. According to Shepherd (2003), following a grieving period, entrepreneurs will undergo a period of restoration orientation which allows an individual, who has experienced a failure, to distract themselves in a way that enables them to speed their own recovery and move on to new ventures. The subject of restorative dynamics perhaps applies to portfolio entrepreneurs, but due to their prior learning, they do not undergo a grieving process, since, according to them, there is nothing over which to grieve. Their failure is perceived as a relief rather than a hindrance. This could be due to their ownership of several firms and the knowledge that their time must be spent developing and tending to their remaining resources.

The effect of failure on the firms which remain in the portfolio of enterprises was inconclusive. A review of the literature confirmed that scant research has been undertaken examining the after-effect of a business failure on the remaining businesses in the entrepreneur's portfolio. Due to the lack of interest on the part of the entrepreneurs in discussing this item, it was decided that additional discussions would perhaps uncover additional information. These follow-up interviews were as inconclusive as the initial interviews. When questioned about the reutilization of resources after a closure, the entrepreneurs indicated there was a transfer of resources, but the effect was negligible.

Three of the five entrepreneurs stated there were no changes in managerial styles that arose while the failure event was occurring, nor was there any effect on their remaining enterprises. Everyone agreed small failures were taking place. Ignoring the problem seemed to be an accepted strategy among these portfolio entrepreneurs, and with only one exception, none of them were concerned with the small failures or the closure of their business. Perhaps the entrepreneurs failed to recognize the changes that were occurring or a conscious effort to avoid telling the truth was at play. Reassignment of resources from the failed firm was of little consequence, and the overall effect of transferring resources was negligible.

9.2.8 Propositions from objective four

Proposition 7 – *Portfolio entrepreneurs do not experience negative emotional responses to a failure within their portfolio of firms and do not undergo a period of grief recovery.*

According to Shepherd (2003), self-employed business owners experience a period of grief following a failure event. The portfolio entrepreneurs in this thesis did not experience any grief or negative emotions concerning their failures, but instead expressed relief at the termination of the firm which they considered to be a potential hindrance to their ability to succeed in business.

Proposition 8 – *Portfolio entrepreneurs have the ability to compartmentalize their emotional states as it pertains to the long term effect of failure and to seek out only the positive aspects of a failure.*

By avoiding a negative emotional response and disavowing any negative connotations from the failures, the entrepreneurs displayed what seemed to be an uncanny ability for portfolio entrepreneurs to avoid any future negative consequences that would deter them from their mission of owning and operating numerous businesses.

Proposition 9 – *Portfolio entrepreneurs believe that "learning from failure" is the most important aspect of their entrepreneurial career.*

Each portfolio entrepreneur in this study stated that learning from past experience was one of the most important conditions a portfolio entrepreneur should address. In this case, failure is that past experience, and as the portfolio entrepreneurs looked back at their own failure, they had the ability to recognize their mistakes, both exogenous and endogenous. All admitted they should have had more knowledge about their individual failed firms, and all realized the lack of a relationship between the various firms may have been a problem in their failures. The antecedents to failure became a learning experience for the entrepreneurs. Due to the experience gleaned about the small failures through their own encounters, they could then warrant that a future small failure in a single business did not escalate into a systemic failure of their entire portfolio.

9.2.9 Objective 5: ***To examine the consequences of the business failure on the future entrepreneurial plans of portfolio entrepreneurs***

All of the entrepreneurs interviewed indicated their failure, even though it was traumatic at the time it was occurring, was a relief. Everyone's future plans were affected in one way or another by the failure, and according to each entrepreneur, the future held only positive events for each. As a result of the failures, their outlook for the future has changed, as well as their perception of their own abilities to operate their businesses in the future. Also, due to the failures, the entrepreneurs, overall, had a different outlook toward business creation and how they go about the practicalities of fulfilling their opportunity recognition.

When queried whether failure was a deciding factor to opening more businesses and whether the failure had a long-term effect on the business person, the interviewees became more conservative as it pertained to how they would approach decision making in the future. When asked whether another failure would occur in their entrepreneurial careers, all showed uncertainty as to whether they would experience failure again. One aspect of the future of which they were certain was each would build additional firms.

The five entrepreneurs in this study desired to build new firms and all seemed to be confident in their ability to do so. Just as the past successes and failures of entrepreneurs' businesses are tied through an inextricable bond to the entrepreneur, the future entrepreneurial opportunities are linked in a similar manner. This thesis' entrepreneurs graciously accepted this relationship, and as they created new business scenarios due to their past failures, they could see only success because of their newfound knowledge and better internal competence in their abilities. They did not see themselves as taking risks, a perception that could allow them to engage in overly risky ventures. Due to what they perceived as learning from failure, they may identify future ventures as opportunities when in fact the opposite may be true. None of them believe they will have another failure and, as a result, will move forward, perhaps with little or no regard to the risks. The learning process will protect them from future failure, or so they surmise. The traits that emerged from the interviews indicated they will rely on their perceptions of past experience for success.

All of the entrepreneurs planned to continue to work, and because of this, their ability of opportunity recognition will continue unabated. They will start new firms; few of them believed they would carry mistakes forward into their new businesses; they will probably experience a failure, but through it all, they will remain portfolio entrepreneurs, and in spite of any future failure, at least in their own minds, they will be successful.

By utilizing the information provided in this section, a portrait of portfolio entrepreneurs could be created. This depiction was useful due to its ability to take variations in information and create an understandable and theoretically interesting set of results by categorizing the units of study and their characteristics, and compressing this information into a single set of terms (Zisk, 1981). As one compared the characteristics outlined in the literature review chapters of this thesis, it became evident that many of the characteristics outlined by other researchers were found among the subjects in this study; however, there was still no consensus discerning a clearly defined set of characteristics for a portfolio entrepreneur.

Portfolio entrepreneurs are successful in their efforts to build new businesses, an attribute that seemed to diminish as the entrepreneur ages. Opportunity recognition was the single most important entrepreneurial characteristic that sets them apart from all other entrepreneurs, followed closely by a high need of achievement. Each new business was created aggressively, and they enjoyed the challenges they faced as they went about building their new firms, and in spite of building new firms, most retained their original enterprise. They built their firms with little or no help from a management team, instead choosing to single-handedly address the challenges they faced. This single-handed management technique carried over into their operations of the firms. Entrepreneurs chose to manage their portfolio of firms with no team that was able to work across the various firms. This, perhaps, was due to oversized egos and a belief that no one can perform as well as themselves. Building the firms alone worked well, at least until problems started in the various enterprises. At first, all of the problems were rather small and the portfolio entrepreneurs chose to ignore the troubles, but it soon became obvious that these small failures could turn into catastrophic events. In spite of each of the portfolio entrepreneurs wanting their new firms to succeed, now that troubles began, they grew disinterested in the new venture, and the fervor they displayed, as they built the firm, disappeared. This was demonstrated by their lack of attention to the new firm and the desire they had to be relieved of its ownership. One additional characteristic was that the entrepreneurs were more concerned with their personal achievement than they were about the potential rewards of success, those being praise and financial gain.

Every one of the portfolio entrepreneurs carried out an exit strategy that would allow them to maximize their efficiencies and redirect the use of their resources. In spite of a devastating failure of some of their ventures, the research in this paper indicates that the portfolio entrepreneurs investigated for this study maintained their entrepreneurial intentions and all planned to build more businesses in the future.

9.3 Implications for theory

The overarching aim of this study was to expand the relevant knowledge base about portfolio entrepreneurs and the effect of failure on their ability to continue to function as firm builders. It was not intended to simply analyze what constitutes failure, but to discover how large and small failures within a business owned by a portfolio entrepreneur affects that owner and whether the failure is a deterrent to future attempts at starting another business. The contributions toward knowledge are based on practical, methodological, and theoretical contributions, all of which emerged as the study progressed.

The multiple case design process began with theory development as the first step in the technique; however, when one combines inductive reasoning with this case study method, as utilized in this thesis, it functions differently than theory based procedures in that developing a theory at the onset of the procedure no longer occurs. Theory development occurs after the collection and analyzation of the data. Inductive reasoning goes from very specific observations to more generalized forms, and, therefore, expansive theories are exposed, which will enable development and the creation of theories. As one begins to interview the subjects, theories from past studies are used to investigate the entrepreneurs. This can be a problem in that the past research on portfolio entrepreneurs lacks empirical evidence. This is discussed by Aldrich and Martinez (2001) as they concluded that most investigators have only made advances in the theory that surrounds entrepreneurship and have avoided the empirical studies that are so badly needed. Davidsson et al (2001) are in agreement. They indicate the problem with theory is there is no consensus on what a theory driven research method that avoids assumptions, and as is the case with many disciplines, there is no single theory of entrepreneurship.

By utilizing theoretical data analysis techniques, as provided by Miles and Huberman (1994) and Yin (1984; Yin, 2003), this thesis was able to take data provided by the entrepreneurs and reduce them to understandable and usable models. These data sources provided the vehicle necessary to reach and develop conclusions that would answer the question of the effect of failure on the portfolio entrepreneur. This also allowed for an investigation of Reuber and Fischer’s (1999) study in which they stated an entrepreneur's stock of experience is related to the “depth and the breadth of experience” that is amassed over a period of time. They developed a theory on the stock and stream of an entrepreneur, their experiences, and how this ties to the entrepreneurial process. Their study relied mainly on the stream of experience as it is continuous and is constantly changing. The impact of experiences on the entrepreneurial process changes as the business goes through the various stages, as well as random events that occur as the business progresses. This stream is continuously going into the stock of experience, which will determine the important parts of the information. It is because of this continuously changing stream of experience that development of theories posed first and then a search to prove those theories may be a fruitless effort on the part of future researchers. Based on the methodologies utilized in this study and by developing theories at the conclusion rather than at the onset, future empirical and longitudinal studies could tap the ever changing stream of entrepreneurial experience and produce usable and viable theories of portfolio entrepreneurship.

One of the first theories discussed in the literature review chapter on failure was the theory of human capital. Human capital has traditionally been defined as the total stock of abilities, skills, and knowledge one gains through education and training (Becker, 1993). As one's stock of human capital grows, so does their ability to view new ventures, capitalize their earning ability, and obtain the utmost from their fellow workers or their employees. In general, human capital can enhance the abilities of an entrepreneur to the point they will find success. This study investigated the human capital assets of the various entrepreneurs and found that as they grew within their own firms, their abilities did, in fact, become superior to their original abilities. The entrepreneurs themselves were the major beneficiaries of their ability to enhance their own human capital. As time passed for each of them, their investment in human capital increased their ability to earn greater returns on investments, increased their ownership skills, and gave each of them the ability to recognize failure and to learn from that failure. Based on Becker's theory, the findings of this study concur with the theory of human capital.

The literature review in this thesis, while never actually formulating a theory of business failure, indicated that firms fail for numerous reasons, and the failures of the firms owned by the entrepreneurs in this study were no different. As one researches available literature for a theory of business failure, it becomes obvious there is no definitive theory or even a unifying theory, but an assortment of, often times, conflicting assumptions. Based on the criteria one chooses to research as it pertains to business failure, locating analogous research is quite simple. In this thesis, the businesses that failed did so due to a lack of attention on the part of the entrepreneur, sometimes due to a loss of interest, other times because of mistakes or even catastrophes. If one attempted to directly tie a business failure theory to the firms in this study, it would be unachievable; however, the failures that each experienced could be examined individually in an effort to develop new theory on business failure.

Another theory discussed in the literature review chapter on failure that bore investigation was the leadership theory as proposed by Conger (2004) in which he indicated leadership skills are obtained through numerous experiences and it is irrelevant whether or not one believes that they were born with leadership skills or acquired them later in life. What was important was that the leadership skills continued to grow throughout one's career. Research has shown that the employment held, supervisors influence, and hardships faced in business, all contribute to the ability to become a successful leader. The findings of this thesis conform directly to Conger’s findings. All of the entrepreneurs examined were ideal subjects for an examination of the leadership theory. Each of them indicated they believed themselves to be excellent leaders. The evidence has shown that there were some questionable actions from the entrepreneurs as to their abilities; however, each of them did grow in their abilities to be leaders, some more than others, but all possessed qualities which set them, as portfolio entrepreneurs, apart from other entrepreneurs.

Attribution theory was discussed in the literature review chapter on entrepreneurial failure and stated entrepreneurs often attribute failure to external causes such as market conditions and financial problems, and through the attribution theory, one may explain how people identify and make judgments about various stimuli (Zacharakis, Meyer, & DeCastro, 1999). In an effort to avoid any stigma that may follow a failure, all of the entrepreneurs, with the exception of Entrepreneur D, were quick to place blame on circumstances, untimely events, and even poor employees as to their reasons for failure. Attribution theory was supported by this thesis.

This thesis raised several important questions concerning the analysis of various theories, but most importantly, the findings have suggested a need for further investigation of theories surrounding entrepreneurial failure and portfolio entrepreneurs. This discussion of theories has focused attention on the entrepreneurs, the institutions each owned, and the ability of the business owners to successfully operate their firms. Either a lack of definition pertaining to the theory, or a lack of information from the participating entrepreneurs has opened a door to future investigation as researchers attempt to understand portfolio entrepreneurship and failure.

9.4 Implications for methodology

The components of the methodologies employed in this thesis utilized an epistemology which allowed a general or obvious view of the processes involved in the operation and the failure of numerous businesses owned and operated by portfolio entrepreneurs. These methodologies permitted a certain amount of objectivity in reaching conclusions and establishing constructs as they pertained to portfolio entrepreneurship and failure. The qualitative case study approach utilized was the ideal means to creating a starting point for determining how failure affected portfolio entrepreneurs and how they, as well as their firms, were influenced by the failure in one firm. For this particular thesis, the methodologies chosen were the ideal framework needed and provided ample information from which to draw conclusions, as well as presenting understanding and value into the processes used by portfolio entrepreneurs. In short, the process allowed a certain amount of subjectivity from the entrepreneurs, as well as allowing the researcher the ability to make qualified assessments of the subject matter.

As indicated in the methodologies chapter, when one attempts to carry out a qualitative research project utilizing a critical realist approach, one must be mindful that the ultimate goal is to uncover truth. Based on research of critical realism, one can begin to understand the importance of a realists approach to case study methodologies. Since there is a relationship between social structures and the cultures in which they reside, it is important to attempt to recreate, in a research setting, the culture in which they exist. This can be done by using a qualitative research methodology using case studies. The ultimate outcome of this type of research is the discovery of meaningful information that will contribute to knowledge.

In order to succeed at research using qualitative research methods and case studies, a primary record of how the subject operates must be compiled. This is done during the interview process. Carspeken (1996, p. 49) said that an attitude of complete ignorance and believing that you are a complete outsider, compels the researcher to compile numerous descriptions to "sharpen one's awareness of events that may occur routinely". The second step is preliminary reconstructive analysis which entails determining how decision were made, what did the decision consist of, when were they made, and other, almost mundane, questions that will allow the researcher to delve into the underlying decisions as they were made. By accomplishing this second step, one becomes privy to the key issues at play, themes, and other areas of interest that will require further analysis. Yin (1984) states that case studies are at the very core of a qualitative analysis as they can be very vivid and informative and due to the very nature of case studies, they lend themselves well to the critical realism approach due to the clarity of the information they provide as well as their ability to show validity and truthfulness.

The case study approach utilized in this thesis could be described as more or less a phenomenological approach to interviewing. The process provided an almost unlimited number of questions that could be researched; however, this led to a situation whereby a constraint had to be crafted in order to contain the volume of information available. In spite of this framework allowing an effective qualitative study methodology, there are limits to the amount of information that will qualify as being of superior quality, and therefore, future studies should attempt to create boundaries that will control the number of empirical issues and questions that can arise. In order for future studies of portfolio entrepreneurship and failure to be effective, consistencies between the methodologies, the data, and the observable facts, as offered by the interviewees, must be of an analytical or logical sort.

9.5 Implications for future research agenda

Many of the studies employed in this thesis that utilized an individual approach to portfolio entrepreneurship and the effect of failure on those entrepreneurs have, in several areas, failed to adequately cover every aspect of study. This study focused on the individual owner of several businesses who had experienced at least one failure and the relationship between their style of entrepreneurial management and the concept of failure in one of their businesses. Throughout this study, numerous references have been identified as being prime candidates for future research. These calls for future research may influence future studies into the entrepreneurial process, and, perhaps become the catalyst for greater learning and produce a framework of potential activities and outcomes that would enable entrepreneurs to be more successful in their ventures.

9.5.1 Effect of failure on the entrepreneur

The over-arching goal of this thesis is to examine the effect of a business failure on the habitual entrepreneur, with emphasis on the portfolio entrepreneur, the surviving businesses, and their ability to continue to perform as a business creator after the failure. During the literature review process, it became evident entrepreneurial research is deficient concerning the effect of failure on the entrepreneur. Of the numerous studies involving entrepreneurial failure only a few discussed this subject, and when it was covered, it pertained more to overcoming failure, or learning from failure, or how to avoid failure (Ricklefs, 1996; McGrath, 1999; Shepherd, 2003; Metzger, 2005; Cope, Cave, & Eccles, 2008). In addition, scant research has been undertaken examining the after-effect of a business failure on the remaining businesses in the entrepreneur's portfolio. Based on these two findings, it was apparent more future studies must include both the portfolio entrepreneur and the remaining businesses in their portfolio. The literature chapters in this thesis that discuss the portfolio entrepreneur and failure can become the catalyst for numerous future studies that could open new avenues for discovery as it concerns the portfolio entrepreneur and their comprehension of the consequences and antecedents of failure.

9.5.2 Characteristics of the portfolio entrepreneur

Based on a review of the available literature and an examination of the entrepreneurs in this study, there is still no consensus concerning the characterizations of portfolio entrepreneurs. It is for this reason that future studies of entrepreneurs should examine portfolio entrepreneurs in a class by themselves. Much of the discussion over entrepreneurial characteristics halted when Gartner (1989) argued the fixation researchers had on characteristics of the entrepreneur was a futile endeavor or 'the wrong question'. Instead, he proposed future study should concentrate on the activities of the entrepreneurs as they go about creating new organizations. It was obvious that all of the entrepreneurs shared common characteristics such as their high need for achievement, confidence in their own abilities, independence, autonomy, and they create new firms and processes. In addition, none of them viewed their failure as a negative event.

Even though much of the study of characteristics of the entrepreneur was discontinued, there were still researchers who were interested and believed characteristics were an important part of an entrepreneur (McGrath & MacMillan, 2000; Schmitt-Rodermund, 2004; Rauch & Frese, 2007; Ucbasaran, Westhead, & Wright, 2008). Additional characteristics research should continue as it appears there has been resurgence in research interest in entrepreneurial characteristics. One must not limit this research to empirical studies of only characteristics, but must include, using a priori data, the different characteristics and findings with reference to the various groups of people or businesses. In addition to the criteria, one must have the means to analyze the relationships between the variables and determine the magnitude of those differences. Articles will continue to call for more analytical analysis of data for inclusion into future papers, and by using tools as outlined in this section, literature will become more accurate and useful to the entities that utilize this data for future decisions that involve the entrepreneurs and businesses they create. Characteristics are an important component of the portfolio entrepreneur's ability to succeed, and future research will be remiss if characteristics are not studied, as this appears to be the common link between the various portfolio entrepreneurs.

9.5.3 Exit strategies and reassignment of resources

Stubbart and Knight (2006) said studies should be concentrated on the industry rather than on specific firm failure events. Their reasoning was since failure is both common and predictable; it does not warrant in-depth study or explanation. This thesis has proven their theory inaccurate. This study has shown that portfolio entrepreneurs often carry out an exit strategy to maximize efficiencies and redirect their use; these closures are sometimes mistakenly thought to be failures. However, a search for scholarly papers concerning economizing on resources after a failure proved futile. Without an analysis of these events which redirect resources, it is improbable one could determine whether economizing on resources after a failure is a viable entrepreneurial option. It is for this reason, contrary to Stubbart et al (2006), the effect of failure on the remaining firms in a portfolio deserves additional analysis.

9.5.4 Learning from failure

Additional research is certainly necessary concerning the portfolio entrepreneurs ability to learn from failure. Several findings indicate that the prior experience of the entrepreneur will provide a benefit to entrepreneurs as they work at opportunity recognition, or building new firms. However, as compelling and as interesting as this literature may be, the issue put forth by Alsos and Carter (2004) , that no studies have yet to identify any significant differences in businesses started by nascent entrepreneurs and businesses started by habitual entrepreneurs, should be further investigated. Does learning from one's mistakes, failures, and successes aid in future entrepreneurial ventures? The entrepreneurs in this study seem to think so. Based on the findings in this study, entrepreneurs learn from failure. In their cases, it is evident that their failures were not negative events, the events that occurred prior to the failure were negative, but due to their ability to compartmentalize their feelings, the entrepreneurs were able to shift the failure into a positive event. This is evident in their statements that they were "happy" to see the failing firm closed. As soon as the closure occurred, they were able to shift their attention to their existing companies, using knowledge they had garnered during their failure. This is a classic example of "learning from failure".

During the interviews, many varied findings emerged about “learning”. Entrepreneur D offered a quote that opens a potential new avenue for investigation,

> “If I had owned a restaurant and it failed, the next time I went to open a restaurant I would have very distinct ideas that I carried forward from the failure, but with my businesses all being so different and so diverse, I think I learned more in generalities about business than specifics that I would have learned had I been in similar businesses. There has not been a lot of bleed over (small ideas) other than very large general ideas about business.”

9.5.5 Causes of failure, internal or external?

“Decline often stems from multiple sources both outside and inside the organization that coalesce at the same time” (Barker, 2005, p. 44). He broadened the scope of internal and external factors by indicating that decline often transpires due to a combination of these internal and external events. External factors leading to failure have been discussed by several researchers as being a cause of failure (Osborne, 1993; Rosa, Carter, & Hamilton, 1996; Zacharakis, Meyer, & DeCastro, 1999; Rogoff, Lee, & Suh, 2004). Osborne (1993) found many external factors such as strong competitor retaliation, ever changing industries, loss of major customers, changes in technologies and market preferences, undercapitalization, and a reliance on unproductive or existing management are the major cause of failure. Other researchers such as Rogoff, Lee, and Suh (2004) performed a matched pair analysis that analyzed attribution theory of entrepreneurial failure. They compared a group of entrepreneurs with a group of non-business owners to confirm their theories. Their findings indicate business people do adhere to the attribution theory and blame their failures on exogenous factors while success is attributed to internal factors, such as their grand ability to operate a business. Zacharakis, et al, (1999) found that entrepreneurs often attribute failure to external causes such as market conditions and financial problems. They also discussed attribution theory which explains how people identify and make judgments about stimuli. This study tied the failure of the entrepreneur to external factors while attributing other people’s failure to internal causes. Rosa, Carter and Hamilton (1996) interviewed 600 Scottish and English small business owner-managers, 300 of each gender. They, too, found most business people tend to blame external factors for their possible shortcomings.

By blaming external factors, entrepreneurs are able to save face. They can keep their self perception as able business people without admitting defeat and would prefer to be a victim of their circumstances rather than a victim of their own doing. Whether or not these external factors are beyond the control of the entrepreneurs is a subject worthy of further research and if it is found that they are in fact beyond control, what can an entrepreneur do to lessen the effect of these factors?

Contrary to what the studies have found concerning external problems, Beaver (2003, p. 120) presents research that failure appears to be primarily caused by internal or endogenous factors such as poor management within the firm. He also refers to Dun & Bradstreet research in 1991 in which the firm, without reservation, stated, "the primary cause of business failure in the USA is due to management incompetence of the business owner", an internal problem. Additional internal problems that were identified in this study included cash flow problems, poor planning, and a lack of marketing and research. Entrepreneur D encountered numerous problems with fraud and collusion, some of his own making.

Many researchers have established that it is a futile exercise to try to determine the cause of failure Fredland and Morris (1976, p. 7) argued the causes of failure cannot be ascertained easily, and "any attempt to do so is, at bottom, a futile exercise". Additional studies (Gaskill, Van Auken, & Manning, 1993; Zacharakis, Meyer, & DeCastro, 1999; Barker, 2005) discuss the internal and external factors with no clear conclusion.

The entrepreneurs in this study attributed most of their problems to a "lack of attention" on their own part, and internal problem. Additional internal problems were identified, yet none of the portfolio entrepreneurs were embarrassed or felt any shame at their failure. They quickly closed the firm and moved forward. Based on prior studies, one could easily determine there is no clear and definite position available as it pertains to internal and external failure; however, the findings of this study indicate internal factors were the major cause of the business failures. The weight of research evidence discovered in this study will uphold this statement.

9.5.6 Other findings requiring additional or future research

This study drew from organizational behavior, strategic management, and even psychology in order to understand these multifaceted businesspeople. It created numerous methodological challenges for the researcher, yet was able to capture a full range of opinions and methodologies offered by the entrepreneurs that can be of great benefit to future researchers. By creating and comparing a set of categorizations, based on the entrepreneurial intentions of the subjects and a snapshot of the entrepreneurs after closing their business, this thesis was able to reach a conclusion that most of the individuals surveyed continue to hold on to their "entrepreneurial intentions", a subject that also warrants additional research.

Since this thesis was based on tangible evidence as provided by the entrepreneurs, one final recommendation was for additional theoretical research into portfolio entrepreneurship and failure. By proposing theories and hypotheses and then attempting to prove or disprove those hypotheses, researchers would be able to have a greater understanding of both the portfolio entrepreneur, failure, and the affect failure has on the entrepreneur. Researchers, who in the future, examine portfolio entrepreneurs or failure, should attempt to identify topics of study in which their research should be carried out by creating theories or by utilizing theory building techniques. Recommendations for these theoretical approaches should include managerial decision-making, human resources, financial abilities, emotional effect of failure, and any other abstract situation that an entrepreneur could encounter in their career. By carrying out future theoretical research, an indication of the science of entrepreneurship and failure will unfold.

9.6 Implications for practice

Countries around the world are experiencing dramatic downturns in the viability of their economies. This phenomenon is especially evident in the United States with the dramatic decline in the value of the dollar and a slump in business owner optimism. Business owners expect business conditions to worsen, negative earning trends to increase, and a decrease in inventory levels in the near future (Dunkelberg & Wade, 2008). It is imperative entrepreneurs, investors, and policy makers understand the consequences of failure in business and the effect failure will have on the entrepreneur and, therefore, the economy. This need for advanced notice of events leading to a failure should be of importance to the bankers and accountants, and others who supply services to their clients.

Small business owners are known for their outsized self esteem and egos and, at times, fail to notice the small events that occur within their firms, and they fail to ask for help; therefore, it is important for others outside the firm to recognize the problems. The work of trying to understand the effect of failure on portfolio entrepreneurs is still in its infancy. Very few research efforts have attempted to identify why failure occurs among portfolio entrepreneurs, and, more so, what affect an entrepreneurial failure has on these multiple business creators. The lack of research on this subject could lead one to believe that failure among portfolio entrepreneurs is not of great importance; however, just the opposite is true. Portfolio entrepreneurs are some of our most aggressive and successful business initiators, and knowledge of the effect failure has on them is of the greatest importance. Findings in this paper indicate one of the major problems occurring in portfolio entrepreneurship is the lack of attention being given to each of the businesses in the portfolio. Future entrepreneurs must have an understanding of the importance of their attention at each of their ventures, especially a new and vulnerable firm. This is not to say that an entrepreneur should spend all of their time at a new firm, but they must, at the very least, be willing to devote ample quality time to ensure the success of all of their ventures. The entrepreneurs in this study indicated they truly wanted all of their firms to succeed; however, when the firms began to deteriorate, the entrepreneurs were more than willing to "wash their hands" of these, what they called, failing firms. Future entrepreneurs must be aware of the importance of ensuring the success of all firms in their portfolio.

Other findings presented as a result of this research paper includes the information that all of the failures which occurred in the portfolio entrepreneurs firms happened to the firms at a fairly young age. This finding is important since it may serve as an implication to future entrepreneurs that firms, during their infancy, are most vulnerable. The entrepreneurs in this study enjoyed the challenge and prospect of building a new firm, but once it was operating, they failed to maintain the same fervor in operating it as they did in building the enterprise.

An important factor that sets entrepreneurs apart from simple businesspeople is their ability at opportunity recognition. Portfolio entrepreneurs must exercise due caution when creating a portfolio of enterprises to ensure that they have sufficient knowledge of the firm itself and its output or products. Many entrepreneurs believe that if they can successfully operate one business, they can, likewise, operate several. These entrepreneurs in this study indicated that additional knowledge of their firms would have been of great benefit to their success. In addition, as one attempts to build a portfolio of enterprises, maintaining a relationship between the various firms is crucial. This is not to say that an entrepreneur in the grocery business should only stay in the grocery business. Horizontal integration can potentially strengthen their portfolio and expand their holdings, but a relationship between the various firms will only make their success easier and, perhaps, more successful. One way for this relationship to help with their success is by allowing management teams from one business to be able to assist with the operations in the others. The portfolio entrepreneurs in this study did not have a management team that could work across several firms; thereby, putting all of the obligations of operating the firms, directly upon the entrepreneur. As the antecedents to failure began occurring the entrepreneur had no one in a position of importance that could assist in saving the firm. As the antecedents to failure began to occur, the entrepreneur was unable to act quickly, almost guaranteeing failure. A failure to respond to a small failure in one's firm may have lethal consequences.

A final implication for portfolio entrepreneurs is a need to learn from past experience, in this case, namely, failure. Other researchers have referred to this as transferring prior knowledge. By learning from their failures, their abilities at operating firms and their opportunity recognition skills will be enhanced, as well as their ability to exploit any new opportunities.

This thesis will contribute to the ability of both entrepreneurs and others, directly or indirectly connected with their firm, to be able to recognize the early warning signs or small endogenous failures prior to them occurring and becoming a catastrophic event which could ultimately lead to the collapse of the firm. In addition, the entrepreneur with the assistance of his associates will be able to design practical exit strategies, how to better manage risk, and how to train entrepreneurs to cope by improving planning and controls within the firm. From a policy maker standpoint, training can be improved as well as economic stimulus packages that would impact the success of small businesses, and in the long run, the economy as a whole.

9.7 Limitations

This study, as with all research, has potential limitations with respect to the methodology utilized, as well as the nature of the research in general. The use of the multiple case study methodology utilizing replication logic, in itself, poses certain limitations to the overall effectiveness of the research. Eisenhardt discusses one of the limitations of case study analysis, the inability to begin a study with no prior theoretical knowledge of the subject, and clean theoretical slate, as she calls it. Ideally, theory building research begins with no theory and no hypotheses to test. The positive side of this limitation is that no preordained theoretical perspectives are present which may bias the findings and potentially limit the outcome (Eisenhardt, 1989b).

"Generalizability refers to the characteristics of research findings that allow them to be applied to other situations and other populations" (Alsos, 2007, p. 171). This generalizability limits the findings of this study in that one would have to be able to replicate the exact findings under different circumstances and utilizing different entrepreneurs. In defense of the case study method and its generalizability, one should not criticize the qualitative method for being general in nature as that is exactly what it was designed to be, general. If one is seeking validity and measurable reliability in a study, quantitative studies are indicated. In this case, a multiple case study analysis was the ideal tool to accomplish the goals of this study and to research the objectives as set forth in the thesis.

Another general limitation that became obvious during the completion of this study was the age of the entrepreneurs being studied. Entrepreneur D was the youngest of all five, and his answers were by far the most unique. The four remaining entrepreneurs were from approximately the same age group, and it may be possible that their answers were similar in nature due to the era in which they grew up and learned their entrepreneurial skills. Perhaps a different demographic of younger entrepreneurs would expose an entirely different set of findings. Several studies have been conducted with regard to the entrepreneur's overall human capital in the performance of their firms; however, few have concentrated specifically on how the age of the entrepreneur has an influence on the relationship between firm ownership, risk aversion, and ability to survive. Age has been proven to have an effect on an entrepreneurial firms performance (Birley, 1985; Cressy, 1996). Another study found that a combination of age, education, experience, and the size of the business also altered the risk taking qualities of the entrepreneurs (Schwer & Yucelt, 1984), and as entrepreneurs age, their risk taking abilities seem to diminish with time, and they can actually assume a caretaker role instead of an ownership role (Kimberly & Miles, 1980; Scott & Bruce, 1987). It would seem from this finding that additional research should be considered to determine exactly what effect age has on the performance, success, or failure of an entrepreneur.

One final limitation concerns the complex nature of the entrepreneur. Designing a quantitative study that would investigate their multiple abilities may be almost impossible. This study drew from organizational behavior, strategic management, and even psychology in order to understand these multifaceted businesspeople. It created numerous methodological challenges for the researcher yet was able to capture a full range of opinions and methodologies called for by the entrepreneurs that can be of great benefit to future researchers.

9.8 Conclusion

This study suggests that failure among portfolio entrepreneurs is an event which ultimately could affect everyone who attempts to become a portfolio entrepreneur. For this study a robust investigation has found that portfolio entrepreneurs are not necessarily affected in a negative manner when one of their firms discontinues operations. By utilizing both the entrepreneur and the enterprise as a unit of analysis, this thesis was able to establish and discern the minimal effects that failure has on the portfolio entrepreneur. This research represents a step towards gaining both a more complete understanding of the portfolio entrepreneur, and by establishing a starting point for future studies of the effect of failure as it pertains to their ability to operate their remaining businesses, and their ability to build new enterprises in the future.

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Appendix I – Nvivo Node Listing Based on Interviews

Core Codes (Non-Memo)	Free Nodes	Nodes (Standard and Tree)
Objective One	Personal and business characteristics	High need for achievement
		Driving forces
		Financial rewards
		Opportunity recognition
		Desire to excel
		Risk and risk aversion
		Original business
		Origin of abilities
		Self approval (ego)
		Personal principles
		Group identity presence
Objective Two	Motivation for multiple companies	Financial
		Commonalities
		Business style
		Managerial style
	Relationship between the companies	Obvious links
		Dominant company
		Methods of growth
		Financial considerations
		Growth strategies
		Link between companies
		Opportunity recognition
		Traits leading to growth
Objective three	Antecedents of failure & exit strategies	Critical decisions
		Obvious causes
		Hidden causes
		Competitors
		Pricing
		Product difficulties
		Promotion
		Technologies
		Mismanagement
		Agency problems
		Miscellaneous problems
		Small failures
		Large failures
		Internal
		External
		Miscellaneous

Core Codes (Non-Memo)	Free Nodes	Nodes (Standard and Tree)
		Closure
		Selling out
		Bankruptcy
		Failure to make a go of it
		Competitive destruction
Objective four	Managerial Issues	Managerial styles
		Issues to investigate
		Agency issues
		Timing of the events
		Reckless actions
		Perceptions of issues
	Effect on entrepreneur	Emotions present
		Financial
		Strategic problems
		Employee issues
	Effect on remaining companies	Financial
		Strategic problems
		Employee issues
		Reassignment of assets
Objective five	Learning from failure	Entrepreneurial knowledge
		Positive or negative
		Repeatable occurrence
		Failure or success
		Past experience
		Ability to use knowledge
		Resource transfer
	Effect on future plans	Positive
		Negative
		Decision making ability
		Planned future companies

Node Set		Nodes and Tree Nodes
		General finances
		Reasons for selling
		Unsolicited comments
		Employment problems
		Management problems
		Positive comments
		Negative comments
		Property ownership issues
		Family issues
		Spouse issues
		Gender issues
		Banking issues

Appendix II – Interview guide

Objective	Question
One	Briefly describe your portfolio of businesses.
	What is your entrepreneurial background?
	Tell me about the companies in your portfolio.
	What are your strengths?
	What are your weaknesses?
	How do your characteristics influence your ability to perform as a portfolio entrepreneur?
	Discuss the any changes in your characteristics that would have made you a more successful entrepreneur.
	Do you think that your characteristics could have attributed to your failure?
	Discuss the characteristics of the companies in the portfolio.
	Discuss the characteristics of the company or companies that failed
	Where would you place blame for the failure of your company?
Two	How many companies do you currently own?
	How many companies have you owned in your career?
	What is the greatest number of companies that you have owned at any one time?
	Discuss the challenges in running multiple companies.
	Discuss the relationship between your various companies.
	Discuss your relationship among the companies.
	Was there a dominant company in your portfolio?
	Was funding a problem for you or your companies?
	Will you discuss the funding you chose to utilize?
	Where did most of your funding originate?
	How did you fit into the portfolio of companies?
	Did your family have any influence on the portfolio?
	What is your motivation for opening several companies?
	How did you utilize employees and managers at the various companies?
	Discuss the transfer and use of assets among the companies.
Three	Discuss your take on business failures and the major causes as you see them.
	To what do you attribute your business failure?
	Could you have changed anything and saved the failed company?
	What was going on in your company when the failure occurred?
	What was going on prior to the failure within the companies?
	Where were you during the failure event?
	Where were you prior to the failure event?
	Describe your state of mind prior to and during the failure event.

Objective	Question
	What was the status of the employees and their states of mind?
	When things started to go bad, did you anticipate failure?
	On what do you ultimately blame the failure?
	Was your failure avoidable?
	Do you wish you could have reversed the failure?
	Name the various exit strategies of which you are familiar.
	When you decided to divest yourself of a company, which method did you choose to utilize?
	Which strategy do you prefer?
	Since you chose a particular strategy, does this mean that it is the best available?
	Discuss the exit strategies one by one (this must be carried out at the end of the discussion of this objective).
	Discuss the transfer of resources after the failure event.
Four	Discuss managerial issues in this section.
	Discuss agency theory.
	How was your ability to manage altered by the failure event?
	Did you have managers working at the failed company, and if so, what happened to them following the failure event?
	Let's discuss your own ability to manage a company.
	What managerial style do you see yourself utilizing?
	Discuss the employees in the failed company, and what happened to them.
	Discuss the employees in the companies owned by you that continued to operate after your failure.
	How were you personally affected by the failure?
	Did your relationship with the employees and managers change after the failure event?
	How did the relationship between employees change after the event?
	Discuss the overall objective and follow-up on any gaps.
Five	What are your future plans?
	Have your future plans changed as a result of the failure, and if so, how?
	Discuss the financial challenges faced after and as a result of the failure.
	Is retirement an option?
	Are there more companies in the works?
Close	Review entire interview with entrepreneur.
	Answer any questions the entrepreneur may have.
	Discuss public record findings as well as any Internet findings.
	Clean up any discrepancies in the interview.
	Ask permission to follow-up with the entrepreneur as well as employees and family members.
	Profusion of thank you's.