Hunter Centre for Entrepreneurship

THE ENTREPRENEUR'S EXPERIENCE OF BUSINESS FAILURE: ADOPTING A SENSEMAKING AND A PROCESS PERSPECTIVE

By

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Declaration of Authenticity and Author's Rights

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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:

Date: September 27, 2013

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This thesis is dedicated to the memory of Dr. Jason Cope.

"Love the moment. Flowers grow out of dark moments. Therefore, each moment is vital. It affects the whole. Life is a succession of such moments and to live each, is to succeed" (Corita Kent, in Cope, 2011).

Abstract

This thesis explores the entrepreneur's experience of business failure. It identifies sensemaking, emotions and coping as central to the entrepreneur's failure experience. I adopt a sensemaking and a process perspective to develop two sets of research questions. These questions probe (1) the relationship between sensemaking, emotions and coping, as the entrepreneur learns from business failure, and (2) the way in which sensemaking, emotions and coping unfold for the entrepreneur, throughout the business failure process. I adopt a multiple case study approach, with 13 entrepreneurs who have experienced business failure, to address these two sets of research questions. I conduct both within- and cross- case analysis, of the interview narratives and secondary data, to reveal the following findings.

First, existing research on emotions of business failure has mostly focused on the disruptive nature of negative emotions, how they are managed (through coping), and how they obstruct sensemaking. In contrast, this study found there is great diversity in entrepreneurs' emotional responses to business failure. The entrepreneurs' sensemaking process is influenced by combinations of both negative *and* positive emotions. Further, emotion-focused coping plays a critical role in dealing with negative emotions and meta-cognitive strategies, which focus attention on the failure event, promote self-reflection and facilitate sensemaking.

Second, the business failure process has been explained as a sequence of five 'time frames' or 'stages'. However, there is limited empirical exploration of all five stages in a single study. As a result, there is little understanding of how entrepreneurs experience the failure process from start to finish. There is also little understanding of how each stage differs from the next, regarding the entrepreneur's emotions, coping and sensemaking processes. The process analysis of this study identified that business failure is non-linear in nature and that some entrepreneurs make sense of soon after their business closes while others take longer to make sense of the experience. The study also found that entrepreneurs undergo a rollercoaster of rising and falling negative emotions, from the descent of the business to their own re-emergence, and lastly, rather than oscillating between coping strategies, entrepreneurs tended to rely heavily on problem-focused coping, during the descent of the business and as they closed their businesses down.

This study is relevant to many audiences. For entrepreneurs, the findings identify challenges and demands of making sense from business failure and provide insight into what the business failure process entails. The greater our understanding of business failure, the less there is to fear. For entrepreneurship educators, this study completes the entrepreneurial life-cycle model and benefits entrepreneurship students in their knowing what to expect if they face business failure. As for enterprise policy makers, this study recommends providing greater support for entrepreneurs who experience business failure, to creating safe, socialised networks and environments to assist entrepreneurs in their sensemaking and recovery.

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Chapter 1: Introduction

"The epidemiology of entrepreneurs will never be complete until fatalities are studied and understood" (Askim & Feinberg, 2003, p. 9).

1.1 Introduction

This study explores the entrepreneur's experience of business failure, from a sensemaking and process perspective. I address two main research questions that ask "How does sensemaking occur after business failure?" And "How does the entrepreneur experience the process and emerge from business failure?" I begin with this contextual chapter, where I introduce the nature and development of research on business failure. I introduce a variety of business failure definitions that reflect changes in the nature of business failure research over time. I present the definition of business failure used for this study, and I continue by describing the nature of the failure experience. I show how business failure presents many challenges, difficulties and costs for the entrepreneur. Yet I also highlight how business failure presents opportunities for the entrepreneur, for the economy and for society as a whole. These opportunities have not always been recognised nor lauded, and I discuss how business failure has been largely overlooked in entrepreneurship research. When failure has received attention, the focus has traditionally been on how to prevent it occurring. This historical lack of attention on business failure presents many opportunities for the researcher, and I discuss the implications these have for this study. I finish the chapter with an outline of the thesis and an overview of each chapter.

1.2 Business Failure: Background and Context

Entrepreneurship is "a young and lively field", which has grown in importance over the last 40 years (Lindgren & Packendorff, 2009, p. 26). The focus of much of that work has been on new venture start-ups: their creation, success and growth

(Sarasvathy, 2004; Singh, Corner, & Pavlovich, 2007). When compared to new venture creation, relatively little is known about business failure (McGrath, 1999; Singh et al., 2007). As such, our understanding of entrepreneurship is incomplete as we do not understand this final, "critical component" (i.e. business failure) of the entrepreneurial life cycle (Mason & Harrison, 2006, p. 69).

This "antifailure" bias McGrath (1999, p. 13), in the literature and in society, is surprising given the prevalence of business failure in society. There is some dispute over the precise proportion of new businesses that fail (Levie, Don, & Leleux, 2010) and estimates of new venture failure vary from 40% in the first year and 90% over 10 years (Timmons, 1990), to 33.3% over seven years (Wiklund, Baker, & Shepherd, 2010), to a median persistence rate of 5 years (Levie et al., 2010). Regardless of the rates, it is generally acknowledged that entrepreneurs pursue opportunities (Shane & Venkataraman, 2000) in environments of high uncertainty (Knight, 1921; McMullen & Shepherd, 2006), that starting a new business is a high-risk activity (Shepherd, Douglas, & Shanley, 2000), and that entrepreneurial careers are "fraught" with obstacles (Gibb Dyer, 1994, p. 16). As a result, the rate is generally acknowledged to be high in most economies (Brüderl, Preisendörfer, & Ziegler, 1992; Shane, 2009; Singh et al., 2007).

1.2.1 Defining Business Failure

One reason for dispute over the rate of business failure is the challenge in defining it. Researchers have traditionally struggled to reach a consensus with failure definitions (Liao, 2004; Robinson, 2007) and as a result, many varying definitions exist (Pretorius, 2008). Definitions of business failure have evolved from including all firm exits (Singh et al., 2007; Watson & Everett, 1996), even those that discontinue because the owner sold the business, retired, or started full-time education (Levie et al., 2010; Robinson, 2007), to a very narrow definition of business failure that is based exclusively on firms that are declared bankrupt (Jenkins, Wiklund, & Brundin, Forthcoming). Adopting bankruptcy as a definition of business failure is useful, given that bankruptcy is a recorded, observable event (Ucbasaran, Shepherd, Lockett,

& Lyon, 2013), yet there are many firms that are considered failures, but are not declared bankrupt.

Other business failure definitions stipulate the nature of "discontinuity of ownership" (Ucbasaran et al., 2013, p. 174), due to either insolvency (Shepherd, 2003) or due to below threshold performance (Gimeno, Folta, Cooper, & Woo, 1997). Discontinuity of ownership due to insolvency explains when a firm cannot continue operating under current ownership due to a rise in expenses or a fall in revenues (Shepherd, 2003). Discontinuity of ownership due to below threshold performance acknowledges the termination of a business due to bankruptcy and insolvency, but also considers the entrepreneur's expectations as a gauge of success (Gimeno et al., 1997). With this definition, an initiative that does not meet the goals of the entrepreneur may also be considered as a failure (Jennings & Beaver, 1997; Politis & Gabrielsson, 2009). For the purpose of this study, I adopt a definition of business failure that incorporates discontinuity of ownership due to both insolvency and below threshold performance, and describe business failure as "the cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the entrepreneur" (Ucbasaran et al., 2013, p. 175).

1.2.2 Research on Business Failure

Traditionally research on business failure, in the fields of management and entrepreneurship, has focused on (i) signs and prediction, (ii) causes and preconditions, (iii) recovery, and (iv) cognition and learning from failure (Pretorius, 2008). The majority of studies fall into the first two of these sub-domains, with a focus on firm-level survival and financial performance. These studies attempt to *prevent* failure occurring (Bruno, McQuarrie, & Torgrimson, 1992; Choo, 2008; Gaskill, Van Auken, & Manning, 1993; Perry, 2001), by performing post-mortems of the firm and failure to identify factors that potentially jeopardise the success of a venture (Bouchikhi, 1993).

While prior research has attempted to understand the causes of business failure to prevent its occurrence (Pretorius, 2008), research at the individual level, focusing on how the entrepreneur experiences business failure, remains underdeveloped (Pretorius, 2008) and fragmented (Cope & Downes, 2010). Theoretically, and conceptually, relatively little is still known about failure (McGrath, 1999) and its 'actual outcomes' for the entrepreneur (Askim & Feinberg, 2003, p. 12; Baumard & Starbuck, 2005, p. 284). Empirically, studies predominantly use quantitative methods (Pretorius, 2008) and many qualitative studies lack empirical rigour (Cope & Downes, 2010). Therefore, there is further need to establish new theories and understandings with regards to the "human dimension" of failure (Jennings, Perren, & Carter, 2005, p. 147; Ucbasaran et al., 2013).

Illustrated in Figure 1 (Ucbasaran et al., 2013), the growing interest in this sub-domain of business failure (Jenkins et al., Forthcoming) typically examines life after business failure for the individual entrepreneur. Research on life for the entrepreneur after business failure, can be categorised in terms of the aftermath and impact of business failure on the individual, and the psychological, financial and social costs experienced; in other words, the transformational social psychological processes of business failure, and the outcomes of business failure for the entrepreneur (Ucbasaran et al., 2013). To begin this study of how entrepreneurs experience business failure, in the following section I present an overview of the "Aftermath" of business failure, that is, the costs and benefits associated with business failure.

Organizing Schema for Research on Entrepreneurial Business Failure
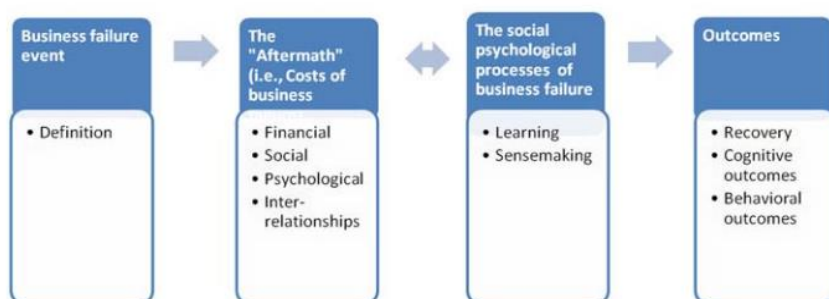
Figure 1 Reproduced from (Ucbasaran et al., 2013, p. 174)

1.2.2.1 Costs of Business Failure

Studies focusing on the "Aftermath" and "Costs of business failure" (Ucbasaran et al., 2013, p. 174) have identified how entrepreneurs experience financial, psychological and social costs (Cope, 2011; Shepherd, Wiklund, & Haynie, 2009; Singh et al., 2007; Ucbasaran et al., 2013) as a result of business failure. Financially, often the entrepreneur's finances are intertwined with those of the business (Brophy & Shulman, 1992). Following business failure, entrepreneurs can suffer significant financial losses as their personal resources and personal wealth are typically tied to the business (Brophy & Shulman, 1992). These financial concerns include significant financial pressures, such as personal guarantees, and personal losses (Shepherd, Wiklund, et al., 2009; Singh et al., 2007). Beyond business failure, and as the entrepreneur moves on with their life, such losses can continue to generate significant financial barriers for the entrepreneur, particularly if they wish to create a subsequent venture (Metzger, 2008; Stam, Audretsch, & Meijaard, 2006).

Psychologically, failure as a concept, represents a change in the natural homeostasis (Horowitz, 1983) and threatens self-esteem (Kernis, Brockner, & Frankel, 1989), ego (Miller, 1976) and self-concept (Nicholls, 1984). The stress arising from business failure also creates negative emotional responses comparable to grief, where the entrepreneur grieves over the loss of their business (Archer, 1999; Shepherd, 2003, 2009). Grief, in turn, triggers further negative emotional states such as depression, anxiety, sadness and anger (Singh et al., 2007), which are evoked when the individual experiences loss (Shepherd, 2004; Shepherd, 2003). Failure may also have physiological effects similar to those experienced during other forms of loss, including bereavement and redundancy (Cope, 2011; Folkman & Moskowitz, 2004; Singh et al., 2007). While the social costs of business failure have received less attention in the literature, they are no less challenging for the entrepreneur. For example, business failure has been found to impact negatively on the entrepreneur's personal and business relationships, both internal and external to the venture (Cope,

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2011). Business failure is also thought to generate a sense of stigma for the entrepreneur (Cope, 2011). This stigma, associated with business failure (Ucbasaran et al., 2013), results in isolation for the entrepreneur (Cope, 2011) and in the entrepreneur distancing themselves from family and friends (Singh et al., 2007).

These financial, psychological and social costs do not exist in isolation, but rather the entrepreneur is likely to experience an interplay of all of these costs (Ucbasaran et al., 2013). For example, stress induced from the failure event can generate a physiological response and result in deteriorating health (Singh et al., 2007). Collectively, these costs can create a long-lasting entrepreneurial cost, with a negative impact in terms of entrepreneurial self-efficacy and risk taking propensity (Cope, 2011).

1.2.2.2 Benefits of Business Failure

In addition to the negative impact of business failure, the experience of business failure is thought to hold a number of benefits for the individual entrepreneur, for the economy, and for society, which are not necessarily achieved through success alone (Baumard & Starbuck, 2005; Cannon & Edmondson, 2005; Sitkin, 1992). For the individual entrepreneur, business failure is considered a critical source of learning (Cope, 2011; McGrath, 1999; Shepherd, 2003; Sitkin, 1992) and sensemaking (Cardon, Stevens, & Potter, 2011; Shepherd, 2009; Shepherd, Patzelt, & Wolfe, 2011). Business failure can stimulate cognitive and behavioural outcomes. Reflecting on why a business failed (i.e. feedback), entrepreneurs may revise their existing knowledge (Shepherd, 2003, 2009) and learn about the 'pressure points' of venture management (Sarasvathy & Menon, 2002), and may develop new skills (Bandura, 2000) such as self-management and the ability to cope with setbacks (Cope, Cave, & Eccles, 2008; Politis & Gabrielsson, 2009; Stokes & Blackburn, 2002). Entrepreneurial failure can consequently motivate entrepreneurs to choose new actions that are distinct from the ones they have already taken (Minniti & Bygrave, 2001). For example, entrepreneurs may intensify experimentation (Sarasvathy & Menon, 2002), search for novel solutions (Gupta, 2005), develop more explorative

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searching (McGrath, 1999) and discover new possibilities (McGrath, 1999; Minniti & Bygrave, 2001; Politis, 2005; Sarasvathy, 2001). These applications of learning are most useful if the entrepreneurs have "bounced back" (Gupta, 2005) and enact their learning by effectively managing a future business (Shepherd, 2003; Ucbasaran et al., 2013). Previous entrepreneurial experience, even if that experience ends in failure, can generate "better reputations, social networks and positions within such networks" (Hayward et al., 2010, p. 3). Therefore, the failure experience can also present significant capital gains for the entrepreneur. They can benefit in terms of access to future social and financial capital (Hayward, Forster, Sarasvathy, & Fredrickson, 2010).

The underlying assumption of this benefit-focused impression of business failure, is that the entrepreneur would re-enter entrepreneurship for the pursuit of greater entrepreneurial success (Hayward et al., 2010; Minniti & Bygrave, 2001; Nielsen & Sarasvathy, 2011). By considering the application of the entrepreneur's knowledge of failure, to other businesses and situations (Shepherd, 2003), we can appreciate the potential positive impact of business failure on a more macro level. By improving the quality of the survivor pool (Knott & Posen, 2005), informing subsequent entrepreneurial actions (McGrath, 1999), and through entrepreneurial recycling (Mason & Harrison, 2006), failure is valuable for society as a whole (Hoetker & Agarwal, 2007; Knott & Posen, 2005; Lee, Yamakawa, Peng, & Barney, 2011) and allows economies to advance (Hoetker & Agarwal, 2007; Knott & Posen, 2005; Mason & Harrison, 2006).

1.2.3 Research on Business Failure: Gaps and Opportunities

Inherent in the ability to capture the potential benefits of business failure, is the entrepreneur's ability to make sense of their experience. Sensemaking is described as an interpretive process where people assign meaning to occurrences (Gioia & Chittipeddi, 1991). Sensemaking involves both the cognitive and emotional aspects of the human experience (Schwandt, 2005) and involves ongoing interpretations in conjunction with action (Thomas et al., 1993). Previous studies have considered

sensemaking as critical to the business failure experience (Ucbasaran et al., 2013), with Cardon, Stevens & Potter (2011) exploring a collective sensemaking process of business failure, while Shepherd (2009) considers the family dynamic when a family firm fails. However, there are few studies that consider the micro cognitive and behavioural dimensions of sensemaking after business failure.

The sensemaking process is heavily affected by both positive and negative emotions (Bartunek, Rousseau, Rudolph, & DePalma, 2006; Myers, 2007; Sonenshein, 2009). Yet, despite evidence that emotions influence sensemaking there is little theoretical development of the roles of emotion in sensemaking (Maitlis & Sonenshein, 2010; Maitlis, Vogus & Lawrence, 2013). With business failure literature, the focus on emotions and sensemaking has been on the debilitating role of negative emotions (Shepherd, 2003, 2009) and little attention has been paid to either the positive role of negative emotions in the sensemaking process or the role of positive emotions, in the sensemaking process (Ucbasaran et al., 2013). Furthermore, there has been limited focus of how these emotions are managed through different coping mechanisms, and how coping impacts the sensemaking process.

The first focus of this study is how entrepreneurs make sense of business failure, and asks "How does sensemaking occur after business failure?" While business failure presents opportunities and depth of experience not typically gained through success alone, the emotionality of the experience should not be underestimated (Jenkins et al., Forthcoming). Neither should the task of managing emotions (Shepherd, 2003; Sing et al., 2007; Cope, 2011). In seeking to explain how entrepreneurs make sense of business failure, I identify emotions and coping as moderators of the sensemaking process. In doing so, I aim to contribute to the literature on business failure to explore the process of sensemaking after business failure. I show how the sensemaking process is triggered by negative emotions that cause greater cognitive reflection and a reliance on emotion-focused coping. With the resolution of negative emotions, the entrepreneur experiences greater positive emotions that broaden their capacity to recover and re-emerge from the failure experience. I also contribute to the sensemaking literature, demonstrating the sequential and complementary nature of negative and positive emotions on the sensemaking process, rather than the

simultaneity of negative and positive emotions that might be expected with a dual process model (Stroebe & Schut, 1999).

The second focus of this study is how re-emergence from business failure unfolds as a process of distinctive stages or time frames (Cope, 2011; Ucbasaran et al., 2013). I ask, "How does the entrepreneur experience and emerge from the process of business failure?" The main strength of a process perspective is how events change and develop over time to produce a given outcome (Van de Ven, 2007; Van de Ven & Poole, 2005; McMullen & Dimov, Forthcoming; Bartunek, Huang & Walsh, 2008). The given outcome of business failure is re-emergence of the entrepreneur (Cope, 2011). In this way, business failure is often portrayed as an event that happens at a moment in time, from which the entrepreneur re-emerges successfully to start a new business or else fails to recover (Hayward et al., 2010; Minniti & Bygrave, 2001; Nielsen & Sarasvathy, 2011). Yet, re-emergence for the entrepreneur is only one sensemaking step on "the failure continuum" (Holmberg & Morgan, 2003, p.405). In the intervening stages of the "transformative process" (McMullen & Dimov, Forthcoming, p.2), the entrepreneur faces many junctures or stages that have not been empirically explored, or have been partially explored (Cope, 2011).

This study empirically identifies four stages of the business failure continuum or process. First, the entrepreneur experiences the descent of their business (Descent). Second, each entrepreneur referred to the decision to close the business, as being a critical juncture in their experience of business failure —whether that decision was made by the entrepreneur or enforced by a third party such as a creditor or the bank. Thus, the decision to close the business the second stage of the business failure process (Decision). The third stage to emerge from the data was the actual closure of the firm (Closure). And the fourth and final stage of the business failure process, was the re-emergence of the entrepreneur (Re-emergence).

These research gaps are explored through an inductive multiple case study of entrepreneurs who have experienced business failure. The theoretical, empirically grounded insights from this study have many implications. As businesses continue to fail, the need for further insight into the impact of business failure on the

entrepreneur and on society makes this study highly relevant for practicing entrepreneurs, for academics, and for policy makers. For the practitioner, this study identifies the negative emotions that impede the entrepreneur's ability to make sense of business failure and can ultimately deter their entrepreneurialism following the failing of their ventures. From an academic perspective, this study contributes to research on making sense from business failure and the business failure process. From a policy perspective, this study identifies how policy can better support entrepreneurs as they learn and recover from business failure.

1.3 Thesis Plan

The thesis is structured as follows. In Chapter 2, I review literature on sensemaking. I begin the chapter by establishing how discontinuous events, such as failure, present significant opportunities for sensemaking. I continue by discussing research on the sensemaking process, and how it is influenced by both negative and positive emotions —which are also typically more prevalent at the time of a discontinuous event. In parallel, I discuss how these emotions are managed through different coping strategies that individuals employ during sensemaking. While research on learning from business failure has previously adopted a sensemaking approach and identified the impact of negative emotions on sensemaking, I identify that there is little knowledge about how emotions impact this sensemaking process and how these emotions are managed after business failure. This leads to my first set of research questions concerning diversity in entrepreneurs' emotional responses to business failure and the relationship between sensemaking, emotions and coping.

In Chapter 3 I discuss the notion of business failure as a process. I discuss process research and the nature of stage-based models that are used to convey process. I identify the emerging model of the business failure process, as a stage model, and consider the benefits and limitations of stage models. I identify how stage models usually include a greater understanding of the nature of each stage than currently exists in business failure literature. I identify how the process and experience of business failure changes for the entrepreneur, from one stage to the next. Lastly, I

conclude this chapter by establishing a second set of research questions that explore the nature of the failure process.

Having identified gaps in the literature, I continue with Chapter 4 where I outline the methodological approach I adopted to address these two sets of research questions. I begin this chapter by outlining the paradigmatic context of the study and discuss the implications of adopting a social constructivist approach. I explain how the research questions identified in Chapter 2 and Chapter 3 can be addressed by conducting a multiple case study, and I outline the methodological choices I made when carrying out semi-structured interviews with entrepreneurs who experienced business failure. I outline how these entrepreneurs were first recruited and subsequently interviewed. The chapter finishes with an overview of how I conducted within- and cross-case analysis of the data.

The findings of the within-case data analysis are presented in Chapter 5. Here I describe the main themes and constructs that emerged from this study. I introduce the 13 entrepreneurs who participated in the study. I present vignettes that capture the stories of their lives, their businesses, the failure of their business and their lives since failure. These vignettes reflect the idiosyncratic nature of the participating entrepreneurs and their business failure experiences.

In Chapter 6, I present findings from the first cross-case analysis, addressing the first set of research questions on sensemaking, emotions and coping, derived in Chapter 2. A crucial function of this chapter is to analyse the emotional narratives of entrepreneurs, highlighting the diverse impact business failure has on entrepreneurs. I then contrast entrepreneurs across these emotional narratives to reveal new insights into entrepreneurs' efforts to make sense of failure experiences. This process reveals different emotional stages and combinations of emotion- and problem- focused coping that expand the cognitive ability to make sense of business failure.

In Chapter 7, I address the second set of research questions that were derived in Chapter 3. I present findings from the second cross-case analysis that explore the nature of the business failure process. As with the new venture creation process, the data show that business failure "is not a smooth, continuous, process. Rather it is a

disjointed, discontinuous, unique event" (Bygrave, 1989, p. 9). The data collected for this study reveal four distinct stages to the business failure process. These stages are described and the evolution of emotions, sensemaking and coping, throughout the business failure process, are discussed.

In Chapter 8, I answer the two sets of research questions that were derived in Chapters 2 and 3. I analyse the findings that emerged in Chapters 6 and 7, identifying their theoretical contribution and how future research can build on these contributions. I also identify methodological and conceptual limitations and potential for future research. I finish the chapter, and study, with a discussion of the implications these findings have for practice, entrepreneurship educators and for enterprise policy.

1.4 Summary

This chapter presents a contextual background to research on business failure. I began by discussing how, despite the high rate of business failure, our understanding of the experience from the entrepreneur's perspective is surprisingly limited. Problems arise when defining it, and entrepreneurship researchers have traditionally focused on the prevention of failure. Rather than attempting to avoid business failure, failure can be considered a rich arena for sensemaking for entrepreneurs, and represents a process through which society as a whole can benefit from. This chapter outlines how this study focuses on business failure from the entrepreneur's perspective, exploring the nature of sensemaking and the failure process. The chapter concludes with an outline of the remaining chapters of the study.

Chapter 2 Making Sense of Business Failure

2.1 Introduction

In this chapter, I develop the set of research questions that ask "How does sensemaking occur after business failure?" I present the nature of research on emotions, learning, sensemaking and coping following business failure. I explain the emotional context of business failure and identify the main emotions generated as a result of a business failing. The relationship between emotions and sensemaking is important, as discontinuous events such as business failure are rich sources of sensemaking for the entrepreneur, for the economy and for society. Yet, business failure is also a source of significant loss for the entrepreneur. I introduce a sensemaking making perspective as an approach to understanding how entrepreneurs learn from business failure. I discuss how sensemaking is influenced by both emotions and coping. I discuss sensemaking, emotions and coping in the context of business and derive a set of subsidiary research questions related to how entrepreneurs make sense of business failure.

2.2 Emotional Responses to Business Failure

To start and run one's own business is one of the most powerful investments an individual can make (Pierce, Kostova, & Dirks, 2001, p. 221) and there is typically a strong emotional connection between an entrepreneur and his or her business (Pierce et al., 2001; Wagner, Parker, & Christiansen, 2003). For example, given the extent of control, knowledge and investment the entrepreneur has in the business (Pierce et al., 2001), entrepreneurs often view their business as an extension of their personality (Bruno et al., 1992; Cova & Svanfeldt, 1993) or identity (Dobrev & Barnett, 2005; Pierce et al., 2001; Wagner et al., 2003). Indicative of this psychological bond is the terminology entrepreneurs often use in referring to their firm, where they often referr to their business as their 'baby' or their 'child' (Cardon, Zietsma, Saparito, Matherne, & Davis, 2005; Dodd, 2002). This implies that the financial and emotional

wellbeing of the entrepreneur is inextricably linked to the firm, and events in the business are likely to affect the entrepreneur personally (Cope, 2003). Business failure is therefore a highly emotional event (Cope, 2011; Singh et al., 2007), and much business failure research, at the individual level, acknowledges and explores the emotionality of business failure (Shepherd, 200; Shepherd, 2009; Shepherd et al., 2009; Shepherd et al., 2011; Jenkins et al., 2010; Jenkins et al., Forthcoming).

The focus of much of the research on emotions after business failure has been on negative emotions. Business failure is thought to generate grief for the entrepreneur (Shepherd, 2003) and cause a significant obstacle to learning and making sense of failure (Shepherd, 2003, 2009; Shepherd, Covin & Kuratko, 2009; Shepherd, Wiklund, & Haynie, 2009). Grief is a negative emotional reaction to the loss of something important (Archer, 1999) and explains "the state of being deprived of or being without something one has had" (Humphrey & Zimpfer, 2007, p. 3) and the subsequent process of "realization" or "making real" the fact of loss (Al Qadhi, 1996, p. 25). Grief does not specifically imply the loss of life, but more broadly, any loss, or any event that requires change (Humphrey & Zimpfer, 2007).

Business failure research that supports theories of entrepreneurial grief tends to suggest homogeneity in how entrepreneurs are affected, how they respond emotionally, and how they should overcome negative emotions to learn from failure experiences (Shepherd, 2003; Shepherd et al., 2009b). With grief, while it is likely that most people will experience at least a temporary impairment of functioning (Parkes, 2010), there is no universal 'end point' or uniform experience of grief. Instead there are different levels of grief (Machin & Spall, 2004). For some individuals, grief produces anxiety, anguish, pain, depression and a sense of loss of control (Humphrey & Zimpfer, 2007), while other individuals experience less distress following a loss or bereavement (Archer, 1999).

There are also different types of losses. The most common is necessary loss, which results from separation (Lendrum & Syme, 1992). Necessary losses are experienced by the majority of people when growing up and they require some degree of comforting. While we may not remember these losses, we are shaped by them and

they become part of our inner emotional world. From these, we learn that loss is survivable, and when we begin to face loss more consciously, we rely on and rediscover these inner resources (Lendrum & Syme, 1992). Circumstantial losses or significant loss events (Humphrey & Zimpfer, 2007) occur less often and cause greater upset to the individual. Significant loss events can incite secondary and symbolic losses, which the individual must also assess and anticipate. They can also ignite past and repressed losses which can complicate and compound the experience of dealing with, coping with and recovering from the experience (Humphrey & Zimpfer, 2007). The most common form of circumstantial, or significant loss, is bereavement. Bereavement is one of the most stressful loss events an individual can endure (Stroebe, Schut, & Stroebe, 2005), and it is also the most extensively studied form of adult loss (Lendrum & Syme, 1992).

Furthermore, there is great diversity amongst entrepreneurs (Ucbasaran et al., 2013; Westhead, Ucbasaran, & Wright, 2005a), in terms of entrepreneurial alertness (Ardichvili, Cardozo, & Ray, 2003), information symmetry and prior knowledge (Shane & Venkataraman, 2000; Von Hippel, 1994), social networks (Jack, 2005), personality traits and cognitive approaches (Ardichvili et al., 2003). Entrepreneurs are also diverse in terms of their firms (Birley & Westhead, 1993) their performance (Chandler & Hanks, 1994) and failures (Levie et al., 2010). Given this diversity among entrepreneurs, this study asks:

> *1 (a): How do entrepreneurs respond to business failure?*

2.3 Business Failure as a Learning Event

Business failure is considered a vital source of learning for the entrepreneur and there is growing interest in what and how entrepreneurs learn from business failure. Much of the research on learning from business failure adopts an experiential approach to learning, where discontinuous or unusual events are considered transformational opportunities for the individual (Daudelin, 1996). For the entrepreneur, challenges and problems such as non-routine situations or 'critical learning events' (Deakins &

Freel, 1998) are considered a source of learning, as the entrepreneur is forced from habitual ways of doing, thinking and behaving. This forced shift in behaviour produces heightened attention and experimentation, triggering rich knowledge or 'higher-level' learning (Cope, 2003; Fiol & Lyles, 1985), not necessarily obtained from success, routinized, or habitual events (McGrath, 1999; Mitchell, Mitchell, & Smith, 2008; Rerup, 2005).

Learning from business failure in this way implies that entrepreneurs use their business failure experience to revise assumptions about previous decisions, actions, and inactions (Argyris & Schon, 1978; Cope & Watts, 2000; Shepherd, 2003). These critically reflective accounts produce extensive learning about one's self as an entrepreneur, manager, and leader (Ucbasaran et al., 2013, p. 183), including their human strength, personal growth, and resilience (Shepherd & Cardon, 2009). Entrepreneurs also learn about small business management such as managing cash, investment and the challenges of growth, and about the environment in terms of understanding competition and the marketplace (Singh et al., 2007). Entrepreneurs are also thought to learn about the nature and management of relationships including internal and external stakeholder relationships and partnerships (Cope, 2005).

Still referring to experiential learning theory, Cope (2003) and Kleiner & Roth (1997) suggest that the entrepreneurs learning cycle seems complete when knowledge gained from an experience is applied to other contexts and situations (Cope, 2003; Kleiner & Roth, 1997). Most typically, the expectation in entrepreneurship research is that the knowledge and skills gained from business failure are applied to a new enterprise (Politis, 2005; Sarasvathy, 2001; Sitkin, 1992), making business failure a precursor for future entrepreneurial success (Minniti & Bygrave, 2001; Shepherd, 2004; Timmons, 1990). Given this potential for future entrepreneurialism, research on learning from business failure has been occupied with why some entrepreneurs see business failure as an invigorating challenge (Cardon & McGrath, 1999; Mitchell et al., 2008) and bounce back (Hayward et al., 2010) to form new ventures (Schutjens & Stam, 2006), while others see business failure as a debilitating failure and give up (Shepherd & Cardon, 2009).

Explanations for this divergence suggest that although learning from business failure is important, it can be challenging. An entrepreneur may lack motivation to learn (Baumard & Starbuck, 2005; Ellis & Davidi, 2005) or be unable to effectively confront what happened. There are also limitations to human intuition and sensemaking (Cannon & Edmondson, 2005) including cognitive biases (Kahneman, Slovic, & Tversky, 1982), a history of success (Ellis & Davidi, 2005), mindfulness (Rerup, 2005), low learning-goal orientation (Dweck & Leggett, 1988), self-compassion (Shepherd & Cardon, 2009), resilience (Hayward et al., 2010), attribution (Mantere, Aula, Schildt, & Vaara, 2013; Ucbasaran et al., 2013; Zacharakis, Meyer, & Decastro, 1999), and appraisal (Jenkins et al., Forthcoming). Contextual variables have also been considered to impact negatively on learning from failure. These include isolation and a lack of common humanity (Shepherd & Cardon, 2009), a lack of peers with favourable attitude to failure (Politis & Gabrielsson, 2009), the timing of closure (Shepherd & Cardon, 2009; Shepherd, Wiklund, et al., 2009), a lack of planned exit strategy (DeTienne, 2010); and how the entrepreneur attributes the cause of business failure (Cardon & McGrath, 1999; Jenkins et al., Forthcoming; Mantere et al., 2013; Zacharakis et al., 1999).

2.3.1 Learning from Business Failure: A Sensemaking Perspective

Studies that view learning from failure as an outcome of a business failure experience focus less on the preceding process of sensemaking. Since business failure is a discontinuous event (Cope, 2003) that demands extreme sensemaking efforts (Cardon et al., 2011; Shepherd, 2009), sensemaking is a useful approach to explain how entrepreneurs learn and move forward from business failure (Cardon et al., 2011; Shepherd, 2009; Ucbasaran et al., 2013).

There is the greatest need for sensemaking when an individual's regular activity is disturbed (Weick, 1995; Weick, Sutcliffe, & Obstfeld, 2005) and when they are forced to make sense of their new situation (Poole, Gioia, & Gray, 1989). Facing confusion, uncertainty and a lack of relevant information triggers questions such as "Where are we are heading now?" and can lead to states of regression, instability,

incomprehension, and loneliness (Savolainen, 1993, p. 17). Such a gap implies that regular movement of routine thinking stops (Horowitz, 1983; Janoff-Bulman, 1992), forcing the individual to alter their inner models or schemata (Horowitz, 1983) to conform to the new reality. The individual must also alter their existing value and meaning systems, which requires a process of sensemaking and sensegiving (Gioia & Chittipeddi, 1991) to facilitate personal adaptation, transfer and growth (Nortier, 1995). A serious life event such as business failure can be thought of as a problematic situation, generating a significant gap that must be faced (Savolainen, 1993). The following section explains how sensemaking occurs and discusses factors which influence the sensemaking process. Later, I return to sensemaking from business failure and identify a gap for further research.

2.3.2 The Sensemaking Process

Sensemaking is an iterative, retrospective, socially constructed process (Weick, 1995) where experience and accounts from the past are captured retrospectively, and converted prospectively, into an intelligible world (O'Leary & Chia, 2007; Weick, 1995; Weick et al., 2005). With sensemaking, the individual searches for plausible and coherent thoughts and emotions that account for what they are experiencing. The emphasis with sensemaking is more on plausibility than accuracy or rationality (Ucbasaran et al., 2013; Weick, 1995), as it is enough that the individual believes the accounts can be true – rather than seeking an absolute truth or rational explanation (Epley & Gilovich, 2006).

Developing and assigning rational, plausible meanings to occurrences (Gioia & Chittipeddi, 1991; Weick, 1995; Weick et al., 2005) requires reflecting upon phenomena (Bean & Hamilton, 2006; Weick et al., 2005), connecting cues and frames (Maitlis & Sonenshein, 2010), understanding, monitoring and developing internal (cognitive) and external (procedural) behaviour (Savolainen, 1993) to create an account of what is going on. This implies the process of sensemaking involves reciprocal interaction of information seeking, meaning ascription and action (Gioia & Chittipeddi, 1991; Thomas, Clark, & Da, 1993). These sensemaking tasks or

dimensions are also referred to as scanning, interpretation and learning (Gioia & Chittipeddi, 1991; Thomas et al., 1993; Weick, 1995).

Scanning and information seeking refer to the process of data collection (Forbes, 1999), that is, the selective attention to and collection of information that might be important in the sense-making process (Gioia & Chittipeddi, 1991; Taylor & Crocker, 1981). Interpretation and meaning ascription refer to the process of giving meaning to information (Forbes, 1999), by fitting information into structures suitable for understanding (Taylor & Crocker, 1981). Lastly, action and learning refer to acting on cognitive theorisations and intentions. These sensemaking dynamics are "highly interrelated" where learning provides feedback to scanning and interpretation (Forbes, 1999, p. 418).

Capturing these complex and intricate dimensions of the sensemaking process is challenging for researchers and a recommended method, and critically important tool of sensemaking enquiry (Brown, Stacey, & Nandhakumar, 2008), is that of narrative and storytelling (Weick, 1995). Narratives, or stories, reflect and give meaning to events (Orr, 1995). By preserving plausibility and coherence (a story is never expected to be entirely factually reliable), storytelling allows the expression, construction and communication of retrospective and prospective feelings and thoughts (Brown et al., 2008; O'Leary & Chia, 2007; Polkinghorne, 1988b).

2.3.3 Sensemaking from Business Failure

The primary objective of sense-making research is to explore internal (i.e. cognitive) and external (i.e. procedural) behaviour, and how it evolves over time (Savolainen, 1993). From a failure perspective, sensemaking involves generating plausible reflective accounts of the failure experience (Shepherd et al., 2011; Weick et al., 2005). Through these reflections, the entrepreneur scans for relevant information, processes it, and learns from it (Daft & Weick, 1984; Thomas et al., 1993). Sensemaking occurs in conjunction with action (Daft & Weick, 1984; Thomas et al.,

1993b) and can lead to changes in existing values (Gioia, 1986), behaviour and belief systems (Daft & Weick, 1984; Ucbasaran et al., 2013).

Research on sensemaking from business and project failure has focused on sensemaking within the community (Cardon & McGrath, 1999; Simmons & Wiklund, 2011; Wiesenfeld, Wurthmann, & Hambrick, 2008), within the family and with the individual entrepreneur (Shepherd, 2009). Research has been concerned with the speed of recovery and has focused on the moderating role of emotions (Shepherd, 2003, 2009) and attribution (Mantere et al., 2013). A conceptual understanding of the micro process of making sense of business failure is emerging (Shepherd, 2009), yet there has been limited empirical work exploring how this happens.

Given the prevalence of business failure combined with the lack of research on business failure – there is an urgency to "further explore the process by which entrepreneurs create/ generate plausible stories of business failure" (Ucbasaran et al., 2013, p. 195). In particular, a more in-depth understanding of the sensemaking process, how it occurs, and what the outcomes of that process are, is needed. This study aims to contribute to literature on sensemaking following business failure by capturing entrepreneurial narratives of the business failure experience. This study asks:

> *1 (b): How do entrepreneurs make sense of business failure?*

2.4 Emotions and Sensemaking

Emotions play an important role in the sensemaking process (Bartunek, Rousseau, Rudolph, & DePalma, 2006; Myers, 2007; Sonenshein, 2009). Despite their impact on sensemaking, they are often omitted from sensemaking research, or are often portrayed as an impediment (Maitlis & Sonenshein, 2010). In the following section, I address the relationship between emotions and sensemaking. Specifically, I outline the nature and impact both negative emotions and positive emotions have on the

sensemaking process. I then discuss research on business failure, and consider the role of emotions on making sense of the failure experience and identify gaps in our understanding of that relationship.

To recover from business failure, the entrepreneur must recover from the psychological cost, as well as financial and social costs they endured as a result of business failure (Ucbasaran et al., 2013). The focus of research on learning from failure has typically been on identifying the impact of negative emotions on the entrepreneur's ability to make sense of business failure, removing the obstacles to learning (such as grief) and re-motivating the entrepreneur to start again (Shepherd, 2003, 2009; Shepherd, Covin, et al., 2009; Shepherd et al., 2011).

2.4.1 Negative Emotions and Sensemaking

Negative emotions refer to "the extent to which a person reports feeling upset or unpleasantly aroused" (Watson & Tellegen, 1985, p. 221) and occur through images, impulses, verbal thoughts or recurring memories (Rachman & Hodgson, 1980; Ramos, Fernandez-Berrocal, & Extremera, 2007). There is much debate about the value and potential damage of negative emotions. Negative emotions narrow one's momentary thought–action repertoire which limits the capacity to scan for information (Gladstein & Reilly, 1985; Sutton & D'Aunno, 1989), to make sense of information (Mogg, Mathews, Bird, & Macgregor-Morris, 1990; Wells & Matthews, 1994). By interrupting the stream of consciousness, negative emotions prohibit learning (Bower, 1992; Dweck, 1986; Isen & Baron, 1991; Kumar, 1997).

Negative emotions become particularly problematic during extreme distress, when one's ability to fully evaluate the threat or the available coping options is compromised (Schwarz & Clore, 1996; Wegener, Petty, & Smith, 1995; Wegner & Schneider, 1989). This can be so extreme, that in preparation for a threat or problem, negative emotions can activate physiological reactions such as extreme cardiovascular activity, (e.g., the fight or flight response of attack when angry, escape when afraid) (Tugade & Fredrickson, 2004). In short, negative emotions act

as both punishments and warnings (Elfenbein, 2007), and they can have an adverse impact on sensemaking activities (Daft & Weick, 1984; Shepherd, 2009).

However, not all negative emotions are harmful. Psychology research has found that some negative emotions are necessary to signal the need for sensemaking (Bower, 1992; Dweck, 1986; Kumar, 1997). For example, negative emotions can trigger an effortful, systematic, analytical and vigilant processing style (Clark & Isen, 1982; Forgas, 2003; Isen, 1984; Isen, 1987b). Negative emotions are also essential for self-regulation (Kumar, 1997). They activate attention and information processing required to stimulate a process of meaning reconstruction (Davis & Nolen-Hoeksema, 2001) and learning (Cacioppo & Gardner, 1999; Weick, 1979). For example, by indicating that something important is in jeopardy (Luce et al., 1997), they motivate the individual to change (Kumar 1997; Lazarus, 1993) and prompt an adaptive response to improve the aversive state (Clark & Isen, 1982; Forgas, 2003; Isen, 1984; Isen, 1987b). By directing attention and behaviour toward solving the problem at hand (Elfenbein: 325), negative emotions trigger vigilant and effortful processing (Clark & Isen, 1982; Forgas, 2003; Isen, 1984; Isen, 1987b), focus attention toward threats, arouse action, and provide feedback on progress toward important goals (Aspinwall & Taylor, 1997; Carver & Scheier, 1998). In particular the upset caused by an event can be a signal of the importance of that event for further scanning (Weick, 1979) and motivate the individual to change (Kumar 1997; Lazarus, 1993).

2.4.2 Positive Emotions and Sensemaking

Positive emotions also play an important role in the sensemaking process. Positive emotions refer to "the extent to which a person avows a zest for life" (Watson & Tellegen, 1985). The ability to experience positive emotions is thought to be central to human flourishing (Fredrickson, 2001). First, positive emotions are required to facilitate sensemaking (Huy, 1999; Maitlis & Sonenshein, 2010; Weick et al., 2005), as they expand thinking and reflection by broadening the scope of attention and thought-action repertoires (Fredrickson & Branigan, 2003; Isen, 1987a, 2000a). In

addition, as they require less effortful processing systematic thinking than negative emotions (Forgas, 2003), they assist a more efficient decision making process, while promoting creativity, flexibility and problem solving (Isen & Daubman, 1984; Isen, Daubman, & Nowicki, 1987).

Positive emotions are also crucial for daily functioning and co-operation (Elfenbein, 2007). They are thought to buffer against adverse physiological consequences, as thought-action tendencies such as joy, interest, contentment, pride, and love, augment the individual's personal, social and psychological resources (Fredrickson, 2001). Furthermore, positive emotions have been shown to offset or 'undo' the potentially damaging physiological concomitants of negative emotions and stress, which can potentially damage self-esteem (Fredrickson, 1998; Fredrickson, 2001).

In addition, the "broaden-and-build" framework (Fredrickson, 1998; Fredrickson, 2001) is used to explain recovery from negative experiences. Resilient individuals with high positive emotions (and an ability to manage negative emotions) are thought to find meaning in stressful situations (Tugade & Fredrickson, 2004) and "bounce back" from adversity (Fredrickson, 1998; Fredrickson, Tugade, Waugh, & Larkin, 2003; Tugade & Fredrickson, 2007). Positive emotions lead to broadened attention and cognition, which can help behaviour during difficult times – becoming resources for people coping with adversity (Fredrickson, 2001), as individuals attempt to find positive meaning in ordinary events (Affleck & Tennen, 1996).

While the majority of research confirms the positive impact positive emotions have on sensemaking, there are some caveats associated with positive emotions. Positive emotions can lead to more passive sensemaking. Positive emotions tend to be less of a signal that something may be wrong (Foo, Uy, & Baron, 2009) and feelings of certainty are an internal cue that one is already correct and accurate, and may also suggest that further processing is not necessary (Tiedens & Linton, 2001). As people tend to place more weight on negative than positive information (Barsade, 2002), positive mood can lead to heuristic shortcuts rather than systematic processing (Martin, Ward, Achee, & Wyer, 1993).

There are also cases where positive emotions require greater effort than negative responses. For example, in cases of non-explained arousal, negative emotions are considered the natural, default value and the generation of positive emotions is less an automatic response, and require further effort (Barsade, 2002). Lastly, in an organisational context, there is less natural contagion of positive emotions and mood, where instead work groups are more likely to converge toward unpleasant than positive moods (Bartel & Saavedra, 2000). Drawing on the mixed impact of negative and positive emotions on sensemaking, this study asks:

> *1 (c): How do emotions influence the sensemaking process, after business failure?*

2.5 Coping with Business Failure

When a discontinuous and stressful event causes a significant psychological and emotional response, it is important to understand the way in which individuals cope with the event in order to continue their lives. Building on stress theory (Folkman, 1984), coping refers to cognitive and behavioural efforts to manage the internal and/ or external stress (Folkman, 1984; Folkman & Lazarus, 1985) that occurs when there is a misfit between a person and their environment (Folkman, 1984; Folkman & Lazarus, 1980). Coping has been explored in numerous discontinuous and stressful settings. For example, coping plays an important role in understanding how people manage medical errors (Engel, Rosenthal, & Sutcliffe, 2006), live with cancer (Carver et al., 1993), live with divorce (Berman & Turk, 1981), deal with death (Stroebe and Schut, 1999), and recover from job loss (Gordus, 1986; Gowan & Gatewood, 1997; Gowan, Riordan, & Gatewood, 1999; Kinicki & Latack, 1990).

Coping is viewed as having two major functions: (a) the regulation of emotions or distress, and (b) the management of the problem that is causing the distress (Endler & Parker, 1990; Folkman & Lazarus, 1980; Stanton, Danoff-Burg, Cameron, & Ellis, 1994). Emotion-focused coping refers to the first of these, to the processing of emotion during a stressful experience (Lazarus & Folkman, 1984; Stanton et al., 1994) and involves reducing, regulating, and/or managing the emotional distress

associated with the situation (Carver, Scheier, & Weintraub, 1989). In contrast, problem-focused coping refers to directing thoughts and efforts toward the problem causing distress, with the intention of modifying the troubled person-environment transaction (Carver et al., 1989; Lazarus & Folkman, 1984; Stanton et al., 1994a). Emotion-focused coping tends to predominate when people feel that the stressor is something that must be endured whereas problem-focused coping tends to dominate when people feel that something constructive can be done (Lazarus & Folkman, 1984). The following section discusses both emotion- and problem-focused coping in more detail.

2.5.1 Emotion Focused Coping

Emotion-focused coping is generally believed to trigger negative outcomes, such as distress and reduced morale (Folkman, 1984). It is thought to interfere with problem-focused coping and lead individuals to appraise situations and events as uncontrollable (Stanton et al., 2000). This can result in harm and/or a sense of loss to the individual (Folkman, 1984; Folkman & Moskowitz, 2004; Stanton et al., 2000; Stanton et al., 1994; Stanton, Danoff-Burg, & Huggins, 2002).

However, emotion-focused coping can be helpful in the short term by reducing negative emotions. It is particularly valued when dealing with chronic or terminal health problems, where resolution of the associated losses requires identification and working through of emotions (McQueeney, Stanton, & Sigmon, 1997). For example research with women with breast cancer showed emotion-focused coping led to them better perceiving their health, decreasing distress and depression and increasing life satisfaction (Stanton, Danoff-Burg, Cameron, & Ellis, 1994b), while Menning & Menning (1977) found that maladjustment following diagnosis of infertility results when emotional processing does not occur (McQueeney et al., 1997).

Emotion focused coping is thought to alter the meaning of a situation and thereby enhance the individual's sense of control over their distress (Folkman, 1984; Silver & Wortman, 1980). Examples of this type of meaning changing include devaluing

the stakes that are at risk in an encounter (e.g. "passing that exam really doesn't matter much") (Folkman, 1984, p. 841), focusing on the positive aspects of negative outcomes (e.g. "I'm a stronger person for having gone through this"), and engaging in positive comparisons (e.g. "it could have been much worse" or "I'm a lot better off than the other guy" (Folkman, 1984, p. 842). Despite its benefits, sustained use of emotion-focused coping is thought to be dangerous if prolonged over time (Austenfeld & Stanton, 2004; Coyne & Racioppo, 2000; McQueeney et al., 1997).

2.5.2 Problem-Focused Coping

A considerable body of empirical research has highlighted the benefits of problem-focused coping for problem solving, decision making, and direct action (Folkman, 1984; Lazarus & Folkman, 1984; Moskowitz, Folkman, Collette, & Vittinghoff, 1996). Problem-focused coping strategies are aimed at the environment and/or oneself. Through creating new goals and commitment, the individual can prevent (or reduce) feelings of helplessness and instead trigger a greater sense of control through generating feelings of challenge and hope, (Carver et al., 1989; Folkman & Stein, 1996; Klinger, 1998; Taylor, Helgeson, Reed, & Skokan, 1991).

In the long term especially, problem-focused coping is thought to prevent rumination and assist adjustment following a stressful event (Nolen-Hoeksema, 2000; Nolen-Hoeksema & Davis, 1999; Nolen-Hoeksema, Larson, & Grayson, 1999; Stanton et al., 2000). For example, in a study of AIDS caregivers, Moskowitz et al. (1996) found that problem-focused coping, such as setting realistic goals and focusing on specific tasks, helped to focus attention and create a sense of mastery and control for the caregivers during the unpredictable and uncontrollable circumstances, prior to their partner's death (Folkman & Moskowitz, 2004). These "meaning-based functions" of problem-focused coping are thought to be critical for positive well-being (Carver & Scheier, 1998; Folkman & Moskowitz, 2004; Klinger, 1998).

Psychology research has been interested in explaining why some people rely heavily on problem-focused coping while others rely heavily on emotion-focused coping

(Carver et al., 1989; Nolen-Hoeksema, 1987; Wortman & Silver, 1989). One approach is to consider coping as a dispositional style, which suggests a consistency in coping approach from one situation to the next. With this approach, the choice of strategy employed is related to the individual's personality type (Sbarra, 2006) or the approach they take to coping in other forms of life stress (Berman & Turk, 1981; Carver & Scheier, 1994; Carver et al., 1989; Endler & Parker, 1990). Another perspective considers a situational-specific approach to coping and suggests an individual is not constrained to a single coping strategy, instead they consider each discontinuous or stressful event separately (Lazarus and Folkman, 1984).

However, rather than attempting to predict whether emotion- or problem- focused coping is best, Smith and Lazarus (1990) suggest that most stressors elicit both types of coping and a balanced use of both is recommended. In a similar vein, research on recovery from grief has recommended adopting a Dual Process Model (DPM) (Archer, 1999), which suggests, that during grief the individual will focus on the loss of their loved one in concert with implementing the necessary major changes in their new and changed life (Humphrey & Zimpfer, 2007). Therefore, the optimum recovery approach to grief is to oscillate between reflecting on loss related thoughts (loss-orientation) while simultaneously restructuring lives (restoration-orientation) (Archer, 1999).

2.5.3 Coping with Failure Research

Coping also features in business failure research, yet research on the coping mechanisms of business failure are surprisingly scarce. Of the work addressing coping with business failure, the prominent approach has been the dual process model mentioned earlier (Archer, 1999; Shepherd, 2003, 2009; Shepherd et al., 2011). Applied to business failure, the dual process model (DPM) explains how entrepreneurs deal with the loss associated with business failure. The assumption is that oscillating between loss and restoration orientations reduces and regulates emotions. Managing the psychological costs of business failure in this way removes obstacles to learning and/ or re-motivates the individual to try again (Shepherd, 2009;

Shepherd, Covin, & Kuratko, 2009; Shepherd et al., 2011). The DPM presents a robust explanation for regulating grief following a loss. While grief is a psychological cost of business failure, the failure experience as a whole is thought to also ignite social (Cope, 2011; Singh et al., 2006) and financial costs (Ucbasaran et al., 2013). Therefore, to understand coping with the broader business failure experience, the more generic coping mechanisms of problem- and emotion- focused coping may be useful.

Singh et al (2007) use emotion- and problem- focused coping to analyse how entrepreneurs deal with the variety of losses, or costs, associated with business failure. They define coping with business failure as "the cognitive and behavioural efforts to manage the taxing demands posed by venture failure" (Singh et al., 2007, p. 333). Their study found that entrepreneurs used problem-focused coping to deal with financial aspects of business failure, such as debt management, borrowings, selling assets, and seeking debt relief. In contrast, they found that emotion focused coping was used to address psychological costs of business failure including reducing negative emotions and personal examination (Singh et al., 2007).

There has been little empirical work assessing the coping strategies of entrepreneurs. Where there has been fieldwork, it has been in regard to aligning the task to the coping strategy employed (Singh et al., 2007). How coping strategies influence the process of sensemaking from business failure remains unknown and the relationship between coping and sensemaking has not featured in the business failure research, conceptually or empirically. Addressing this gap, this study asks:

> *1 (d): How do coping mechanisms influence the sensemaking process, after business failure?*

2.6 Summary

This chapter presents an overview of how entrepreneurs learn from business failure. Business failure is presented as a discontinuous event that requires extreme efforts of sensemaking. The process of sensemaking is explored and two moderators of

sensemaking, emotions and coping, are identified and discussed. In these sections, I introduce background research from psychology and management literature to explain each construct. I then introduce how these constructs have been discussed in the context of business failure and finish each section with a summary of gaps in our understanding of how these constructs affect sensemaking from business failure. Taking the chapter as a whole, I identify three primary dimensions of sensemaking from failure to explore in this study. First, I aim to examine the nature of the sensemaking process for the entrepreneur, after business failure. Second, I aim to explore the moderating role of both negative and positive emotions on that sensemaking process. Lastly, this study will explore the moderating role of problem- and emotion- focused coping on the sensemaking process after business failure.

Chapter 3 The Process of Business Failure

3.1 Introduction

The aim of this chapter is to generate a set of research questions that explore "How does the entrepreneur experience the process and emerge from business failure?" I begin by comparing variance and process research and identify that a process approach is useful when exploring change, and the unfolding of change. I recognise the stage model as a popular tool for exploring organisational, and entrepreneurial, change, development, new venture creation and growth. I continue by discussing how business failure has been typically omitted from the entrepreneurial process and lifecycle literature. There is a growing interest in how business failure unfolds for the entrepreneur, and a model of the business failure process is emerging. I identify how, given its infancy, there is potential to understand further how the business failure process emerges and how the entrepreneur experiences this process. I return to the three dimensions of sensemaking, emotions and coping, which I previously identified as important to the entrepreneur's experience of business failure. I derive a set of specific research questions related to how the entrepreneur experiences business failure and emerges from the process.

3.2 Variance Research

Complex entrepreneurial phenomena, and the challenges entrepreneurs confront as they conceive, develop and manage their new firms, can be analysed using both a variance approach or a process approach (Zahra, 2007). A variance approach, such as that discussed in Chapter 2 and empirically explored in Chapter 6, assesses the systemic patterns of relationships surrounding organisational phenomena (Langley, 2007). This involves clearly defining variables before examining the effect of independent variables on dependent variables (Poole, Van de Ven, Dooley, & Holmes, 2000). The logic is that independent variables are assumed to combine to cause outcomes (Poole et al., 2000). By conducting comparisons and identifying relationships, a variance approach explains changes in relationships among

independent variables and dependent variables (Schoonhoven, Eisenhardt, & Lyman, 1990). Yet, variance models assume an equilibrium state and consider a minimal time unit (Tsoukas & Hatch, 2001). They do not provide temporally embedded accounts of organisational phenomena (Langley, 2007). Therefore, a variance approach is limited in how well it can analyse the change process. Instead, change, action, and novelty are hallmarks of a process orientation and change can best be conceptualised through process theory (Kiefer, 2005).

3.3 The Process Approach

Research on business failure has predominantly adopted a variance approach to explore the effect of independent variables on dependent variables (Poole et al., 2000). Yet, there is an emerging interest in the process of business failure and recovery (Cope, 2011; Ucbasaran et al., 2013). Process thinking considers how people, organisations, strategies and environments change, act and evolve over time (Langley, 2007). Change is an observation of difference in form, quality, or state in any dimension of the organisation (Van de Ven & Poole, 1995). For example, the term "organisation" and the meaning of "organisational becoming" itself implies a pattern that is constituted, shaped, and emergent from *change* (Carlsen, 2006; Thomas, Sargent, & Hardy, 2011; Tsoukas & Chia, 2002).

There are different types of change and individuals and organisations learn from the outcomes of the changes they enact (Huy, 1999). Routine, planned, or continuous changes present less need for change and less opportunity for development within the organisation (Beer & Walton, 1987; Porras & Silvers, 1991), than infrequent and discontinuous changes (Weick & Quinn, 1999). Discontinuous events (Cope, 2003) such as critical incidents (Poole et al., 2000; Savolainen, 1993), crises (Greiner, 1972; Savolainen, 1993), and failures (Weick and Quinn, 1999), prompt new behaviours and thoughts (Kiefer, 2005) and force alterations to an organisation's structure, processes, and its social system (Kiefer, 2005; Porras & Silvers, 1991). Given the transformational nature of discontinuous events and non-routine change,

organisational change studies have considered how to apprehend and manage change (Kiefer, 2005).

Process theory explores the unity, coherence and sequence of these changes (Van de Ven & Poole, 1995). Process theory delineates a typical sequence to prototypical events (Abbott, 1988; Pentland, Osborn, Wyner, & Luconi, 1999; Poole et al., 2000; Tsoukas, 2005). This implies that process analysis identifies periods of activity through which a process unfolds i.e., the order and sequence of events in an organisational entity's existence over time (Van de Ven & Poole, 2005). These transition or 'metamorphosis' models (d'Amboise & Muldowney, 1988; Kazanjian, 1988) 'bracket' time and identify 'temporal markers' (Bird, 1992) that are referred to as sequences, steps or stages of development (Poole & Van de Ven, 2004; Rasmussen, 2011). These temporal markers are discussed below and re-appear in Chapter 7.

3.2.1 Lifecycle and Stage Models

A process approach is achieved by simplifying details of the change process in terms of a stepwise development of activities (Van de Ven & Poole, 2005), which characterise the developing entity's path through space and time (Abbott, 1988; Pentland et al., 1999; Tsoukas, 2005). Patterns and events of growth have traditionally been discerned by using a biological analogy such as the life-cycle perspective (Dodge, Fullerton, & Robbins, 1994; Greiner, 1972). This model assumes that organisations grow, *as if* they are developing organisms (Tsoukas, 1991), and have a clear start and end to the process being studied (Poole & Van de Ven, 2004).

Process patterns are typically described as stage models (Sabherwal & Robey, 1993). A stage is described as a problem-based phenomenon (Baron & Shane, 2005; Kazanjian & Drazin, 1990; Lewis & Churchill, 1983), where a stage is typically defined in terms of: key problems or events that a firm faces (Greiner, 1972; Kazanjian, 1988; Lewis & Churchill, 1983); and, the firm's responses to those

problems, at that time (Kazanjian, 1988). The rationale is that the resolution of one set of problems leads to the emergence of another set of problems which must be then addressed (Greiner, 1972; Kazanjian & Drazin, 1990). While the problems, tasks, or environments may differ from model to model, there is always the causality of each event sequence (Buchanan & Dawson, 2007). These problems typically relate to demands on organisational structures, personnel, leadership and decision making (Kazanjian, 1988; Kazanjian & Drazin, 1990). Requirements and solutions are also important dimensions (Kuratko & Hodgetts, 2007), as the resolution of each stage presents new opportunities for transformation and growth (Kazanjian & Drazin, 1990). At any point in time, the dominant set of problems facing the firm and occupying management's attention, define the stage of growth the venture is at (Dodge et al., 1994).

3.2.2 The Entrepreneurship Process

Despite their rigidity (Neergaard, 2003) and the lack of consensus over the creation and growth of firms (Levie & Lichtenstein, 2010), stage or life-cycle models remain the most common way of representing the entrepreneurship process. They act as road maps for entrepreneurs (Bhave, 1994) and are popular with both theoreticians and practitioners (Baron & Shane, 2005; Kuratko & Hodgetts, 2007; Levie & Lichtenstein, 2010). The stage models of the entrepreneurship process outline the set of activities, processes, and change associated with entrepreneurship (Moroz & Hindle, 2012; Steyaert, 2007; Zahra, 2007). These activities include perceiving opportunities (Shane & Venkataraman, 2001), acquiring resources, creating organisations (Bygrave, 2004), and developing strategies (Ucbasaran, Westhead, & Wright, 2001) – to exploit the opportunities and bring them to the market (Davidsson, 2008; Shane & Venkataraman, 2001).

Thus, the entrepreneurship process approach typically addresses the creation and growth of a new firm (Aldrich & Martinez, 2001; Bhave, 1994; Steyaert, 2007). Yet, instead of continued and sustained growth, many entrepreneurs must exit their firms involuntarily (DeTienne & Cardon, 2006; Praag, 2003; Wennberg, Wiklund,

DeTienne, & Cardon, 2010). Far less attention has been paid in entrepreneurship process studies to the exit, termination or failure of an initiative (DeTienne, 2010), and it is not uncommon for new venture creation models to omit events beyond the successful growth of a firm (Bhave, 1994). Yet, exit and failure are important dimensions of the entrepreneurial process (DeTienne, 2010), and our understanding of the entrepreneurial lifecycle is incomplete without an understanding of the "critical component" of business failure (Mason & Harrison, 2006, p. 69). This lack of knowledge of firm exit and failure implies a lack of understanding the temporal markers, milestones and problems of business failure – and of the series of actions or operations that will bring about the exit (DeTienne, 2010).

3.4 The Process of Business Failure

Process research is concerned with the realisation of an outcome, but is even more pre-occupied with the events and occurrences that precede the outcome (Van de Ven, 2007; Walsh & Bartunek, 2011), as "the journey" is seen to hold greater certainty than any expected outcome (McMullen & Dimov, Forthcoming). Business failure is often portrayed as an event that happens at a moment in time, with the outcome of the entrepreneur re-emerging successfully to start a new business, or else failing to recover (Hayward et al., 2010; Minniti & Bygrave, 2001; Nielsen & Sarasvathy, 2011). Yet, re-emergence for the entrepreneur is only one sensemaking step on "the failure continuum" (Holmberg & Morgan, 2003, p. 405). In the intervening stages of the "transformative process" (McMullen & Dimov, Forthcoming, p. 2) of business failure, the entrepreneur faces many junctures or stages that have not been empirically explored, or have only been partially explored in the failure literature (Cope, 2011).

Research on the process of business failure has focused on the "downward spiral" of the firm and industry (Venkataraman et al., 1990), as well as early warning indicators and predictors of bankruptcy (Altman, 1968; Ohlson, 1980; Zmijewski, 1984) and business failure (Sharma and Mahajan, 1980; Dimitris et al, 1999; Balcaen et al., 2006). This downward spiral process is also explored at the individual level, through

theories such as the escalation of commitment (Staw 1981; Shepherd et al., 2009), real options reasoning (McGrath, 1999), and the affordable loss principle (Sarasvathy, 2008; Dew et al., 2009), explaining how the entrepreneur manages the demise of their business including the point at which they should close it, to limit their personal and financial exposure (Shepherd, Wiklund and Haynie, 2009). Studies focusing on the life of the entrepreneur post business failure, focus on the business failure event, the aftermath, the social psychological processes of business failure, and the outcomes as presented in Figure 1, Chapter 1 (Ucbasaran et al., 2013).

Combining the *before* and *after* of business failure, Cope (2011) identifies 5 main stages, or 'time frames', to the business failure process. These include: (1) the descent into failure; (2) the experience of managing failure; (3) the aftermath of failure; (4) recovery from failure; and (5) re-emergence from failure. These stages explicate how events within the business (descent into failure and failure) are experienced at the individual level, by the entrepreneur, as they manage the failure, deal with the aftermath, recover and re-emerge from the experience. This stage models also highlights how business failure marks the end of the business, but not of the entrepreneur (McGrath, 1999; Sarasvathy, 2008), as the entrepreneur supersedes their firm to re-emerge from the failure.

Cope's (2011) study focuses, conceptually and empirically, on life post failure. The five-stage model that he identifies is derived as a recommendation for future research. Thus, the stages, activities, and events of the business failure process, from the descent of the business to the re-emergence of the entrepreneur, have yet to be explored. Addressing these gaps, in our understanding of the business failure process, this study asks:

2 (a): How does the process of business failure unfold for the entrepreneur?

3.4.1 Sensemaking throughout the Business Failure Process

Sensemaking is a gradual and complex process of cognition and action. The sensemaking process takes time as it involves sensemaking and sensegiving, conceptual analogues, understanding and influence; cognition and action; and, figuring out of events, threats, and opportunities (Gioia & Chittipeddi, 1991). The sensemaking and sensegiving processes are even more complex during times of change, as the individual must construct new sense out of their worlds (Savolainen, 1993), while simultaneously interpreting information, learning from action, and revising their individual belief systems (Huy, 1999; Kim, 1993; Schwandt, 2005; Weick, 1979).

Change is an on-going process where actors continuously attempt to make sense of their worlds (Tsoukas & Chia, 2002). The sensemaking process is thought to occur well in advance of the change process itself, and it is to important consider sensemaking over the entire duration of a change process or discontinuous event. For example, when introducing change to an organisation, Gioia and Chittipeddi (1991) discuss the CEO's sensemaking process beginning early in the change process, during the envisioning stage. Likewise, in the context of job loss, preceding events and the transition process prior to the termination are important for the individual and their cognitive appraisal of the situation (Latack & Dozier, 1986). This before-event appraisal is thought to influence grief and anger, denial and acceptance of the change being faced (Kinicki, Prussia, & McKee-Ryan, 2000; Latack, Kinicki, & Prussia, 1995), highlighting the importance of this time frame to the individual's experience of the change process.

Large scale changes, such as discontinuous events and business failure, are underpinned by learning (Huy, 1999). With business failure, previous studies of learning and sensemaking typically focus on time after the business failed. These studies address the emotional barriers to learning from failure (Shepherd, 2003; Shepherd et al., 2011), learning outcomes (Singh et al., 2007), and the content and nature of learning tasks and timeframes (Cope, 2011). Furthermore, from the discussion above it would seem that the time prior to business failure, preceding the change event, may be an important part of the sensemaking process. The time prior

to business failure has been neglected in failure literature. While there has been interest in the decision to close a business (Gimeno et al., 1997; Shepherd, Wiklund, et al., 2009), this work appears somewhat disjointed from the *aftermath* research, focused on grief and recovery (Cope, 2011; Shepherd, 2003; Ucbasaran et al., 2013). Therefore, the actual sensemaking process and when it unfolds throughout the business failure process, and how it changes from stage to stage, is still largely unknown. Addressing this potential time lag in when sensemaking occurs during the business failure process, this study asks:

> *2 (b): How does sensemaking unfold for the entrepreneur, throughout the business failure process?*

3.4.2 Emotions throughout Business Failure Process

Psychology and emotions literature suggests that emotions are not static events, but occur as dynamic processes (Folkman & Lazarus, 1985; Folkman & Lazarus, 1988; Gross, 1998; Smith & Lazarus, 1993). Yet, few studies consider changes in emotions across stages of a process (Folkman & Lazarus, 1985). Instead, much of the research on emotions and change examines emotions primarily as a "static feeling state" (Liu & Perrewé, 2005, p. 264). In an organisational context, this static approach to emotions becomes problematic when exploring radical change events (George & Jones, 2001; Huy, 1999; Liu & Perrewé, 2005), as change processes are emotionally laden events, that generate significant emotional fluctuations (George & Jones, 2001; Huy, 1999). For example, (Hurst & Shepard, 1986, p. 401) identify "a roller coaster" of emotions throughout the process of involuntary job loss, while Liu & Perrewe (2005) suggest that employees' emotions progress through four distinguishable stages of an organisational change process. Studies that adopt a static approach to exploring emotions, miss the opportunity to truly understand the emotionality of a change process experience (Liu & Perrewe, 2005).

Outwith organisational research, studies of individual change also identify transition as slow, progressive, and not clearly demarcated in time (Bridges, 2009; Nortier, 1995). Change occurs when something starts or stops, or when something that used

to happen in one way starts happening in another (Bridges, 1986).Theories of transition are used to explain the "before", the "in-between" and the 'after' of the change process and aim to understand what the individual is living through at each stage (Nortier, 1995, p. 32). Transition is related to the individual's subjective feelings and perception of how the change is impacting them personally. Antecedents of change include feelings of personal adaptation, upheaval, transfer, growth, crisis, regression, instability, incomprehension, loneliness, and questioning (Nortier, 1995). Any resistance to change is a reflection of resistance and apprehension regarding the anticipated transition which will have to be made in order to cope with the change (Bridges, 1986). Therefore, it is typical for the individual to feel loss and regret throughout the transition.

Within business failure research, there has been an increased understanding of the emotionality of business failure after the event. Previous studies have explored the negative emotional reaction to business failure, and how these emotions dissipate, more or less quickly, after failure (Shepherd, 2003; Shepherd, Covin, et al., 2009a; Shepherd, Wiklund, et al., 2009). Yet, these studies typically present a static view of emotions after business failure, and the dynamic nature of emotions throughout the business failure process as a whole is still lacking. Addressing the temporality of emotions during change processes, this study asks:

> *2 (c): How do emotions unfold for the entrepreneur throughout the business failure process?*

3.4.3 Coping throughout Business Failure Process

Coping is also a dynamic process that shifts in nature from one stage of a stressful transaction to the next (Carver et al., 1989; Folkman & Lazarus, 1980, 1985). The coping process occurs when an individual approaches a situation and begins a cognitive appraisal of events to assess the level of threat they are exposed to and their available coping resources (Aitken & Crawford, 2007). In doing so, the individual evaluates if they must change the person-environment relationship, to achieve greater adjustment (Folkman & Lazarus, 1985). Folkman & Lazarus (1985) identified three

significant stages that might typify a naturally stressful situation. The three stages included an anticipatory stage, a waiting stage and an outcome stage. Throughout these stages, Folkman and Lazarus (1985) witnessed changes in coping mechanisms employed by individuals throughout the stressful process.

Likewise, in a five-stage model of transition, Nortier (1995) identifies different stages of the transition process, demand different coping behaviours. For example, progressing through the transition process can require a series of difficult tasks, such as: letting go of an old situation; accepting the risk of losing an associated professional or personal identity; progressing through a crisis zone; making a new beginning; developing new logic, behaviour, skills, and thinking; and, establishing contact with new people and/ or new ways and procedures (Nortier, 1995). Therefore, change is often presented as something that is instantaneous or very short (Nortier, 1995) yet a stressful encounter should not be viewed as a static, unitary event (Folkman & Lazarus, 1985). Instead change is a dynamic, unfolding process (Folkman & Lazarus, 1985). Yet, there are limited studies that take a staged approach to coping in a stressful, ambiguous situation (Folkman & Lazarus, 1985).

Research on coping with business failure has primarily focused on coping styles (Cope, 2011; Shepherd, 2003), but not their evolution. For example, Shepherd (2003) propose a mode of coping with grief to maximize learning (namely, oscillating between loss i.e. confrontation and restoration i.e. avoidance orientations). In addition, Singh et al. (2007) discussed the type of coping style employed by the entrepreneur to deal with each of the costs of business failure. These approaches to coping with business failure help illuminate the demands of business failure that entrepreneurs must face. Understanding how individuals respond differently to the changes incurred through business failure (Liu & Perrewé, 2005) provides an important insight into how entrepreneurs manage the aftermath of business failure (Cope, 2011; Ucbasaran et al., 2013), and how they adjust their potentially threatened person-environment relationship (Folkman & Lazarus, 1985). However, there is still very little known about the dynamism and adaptation of coping throughout the failure process. A better understanding of how coping emerges, over the process of business failure, would contribute to our understanding of the

dynamism of the business failure experience. Therefore, my final research question asks:

> *2 (d): How do the entrepreneur's coping mechanisms emerge, throughout the business failure process?*

3.5 Summary

In this chapter, I introduce discontinuous events as extreme change processes. I discuss the nature of the process approach that is used in management and entrepreneurship research. I show how the process approach has typically been analysed in terms of stages or life cycle models which outline a pattern of sequences, events, stages and problems that are faced throughout the creation and growth of a firm. While there are limitations to the life cycle and stages models, they are still a useful tool in exploring the nature of change and development following business failure.

In terms of business failure, the notion of a business failure process, encapsulating a series of changes and events, has already been discussed. My research aims to develop this emerging model of the business failure process. By exploring the unfolding of the business failure, this research aims to explore how the entrepreneur experiences business failure from the descent of their business to the re-emergence of the entrepreneur. Further, taking previously discussed constructs that are central to our understanding of the business failure process, this study aims to explore how the process of sensemaking, emotions and coping unfold for the entrepreneur throughout the failure process. These research questions will be explored empirically in Chapter 7. The next chapter, Chapter 4, presents the methodological style and strategy employed to explore these dimensions of the business failure process.

Chapter 4 Research Design and Methods

4.1 Introduction

This chapter introduces and explains the methodology employed in this study, to address the two sets of research questions that ask "How does sensemaking occur after business failure?" and "How does the entrepreneur experience the process and emerge from business failure?" I begin with a discussion of the wider paradigmatic context of entrepreneurship. This is followed by consideration of the philosophical assumptions and the selection of a social constructivist perspective for this study. I develop the discussion further by re-introducing the research questions and explaining the research design that was developed to address the research questions. I explain how I adopted a narrative approach to explore sensemaking and the process of business failure and outline the implications this had for data collection and analysis. I present an overview of the within- and cross- case analysis of the 13 entrepreneurs who had experienced business failure.

4.2 Paradigmatic Context of Entrepreneurship

I begin this section by contextualising the multi-paradigmatic nature of entrepreneurship research and establish an understanding of the dominant paradigmatic discourses in entrepreneurship. I focus on the individual entrepreneur's experience of business failure, and explain why a social constructivist paradigm is an appropriate paradigm from which to explore the entrepreneur's sensemaking of business failure, and their experience of the business failure process.

Entrepreneurship is considered a transdisciplinary domain, as it draws on and adapts theoretical frameworks from other disciplines including economics, psychology, anthropology, sociology, geography, politics and history (Curran & Blackburn, 2001; Grant & Perren, 2002). As a consequence of its multiple roots, it is said to be preparadigmatic or without an established paradigm (Mayfield & Weaver, 1997).

Despite this, the prevailing discourse is thought to be functionalist in nature (Bygrave, 1989; Fletcher, 2006; Grant & Perren, 2002; Steyaert, 2007).

Functionalism takes an objectivist view of the social world (Burrell & Morgan, 1979) and an epistemological focus which constructs a positivist social science and favours an understanding of systems (Pittaway, 2005). This positivist epistemology has been popular when attempting to explain how entrepreneurship could improve "innovation, gross domestic product, employment and self-employment, and reducing business failure"(Jennings et al., 2005, p. 147). However, research which takes an extreme functionalist assumption can view social behaviour as somewhat static or 'unchanging and immutable' (Pittaway, 2005). This can restrict the progress of entrepreneurship research, which is more concerned with social structures and social reality.

An alternative approach is to consider entrepreneurship as a more socially embedded process and to focus on an interrelated understanding of how things are in the world; between individuals, social phenomena and social contexts (Fletcher, 2006). A social constructivist view of entrepreneurship presents space to consider entrepreneurship in this way. Social constructivism is concerned with how social phenomena develop in social contexts (Von Glasersfeld, 1995). It holds an ontological belief that there is not one complete reality 'out there.' Instead reality is considered to be what we experience daily. Epistemologically, social constructivism holds the view that knowledge is created from the combination of the individual agent and the environment. Constructivism, therefore, means that human beings do not find or discover knowledge so much as we construct or make it (Schwandt, 1997).

Within entrepreneurship, social constructivism is concerned with how cognitive processes are merged with social 'situatedness' and cultural practices, to enable entrepreneurial behaviour and opportunities (Fletcher, 2006). It presumes that the entrepreneur constructs his entrepreneurial experience while communicating and interacting with others (Schulten, 2007), while taking into consideration the social context and the environment within which the entrepreneurial activities are occurring (Fletcher, 2006).

Social constructivism is often compared with social constructionism, and indeed they share many of the same concepts. Both are concerned with the development of social phenomena in social contexts and both share an ontological perspective where reality is a product of perspective and is a subjective, contextual creation (Guba & Lincoln, 1994). Where they differ, is that knowledge within social constructionism is created in the *relationality* between people's actions and their cultural, societal, economic and political situational context (Fletcher, 2006). This implies subjectivity in relation to culture and society, through representation systems such as language, concepts, images, objects, social processes and relational processes. Social constructionism considers the whole of human relations and their social context (Fletcher, 2007; Morgan & Smircich, 1980). In contrast, knowledge within social constructivism is created from the combination of the individual agent's cognitive processes with their environment. This implies exploring the individualised cognitive processes through which individuals mentally construct their social worlds (Steyaert, 2007).

Social constructivism has not been widely adopted by the entrepreneurship research community, and studies using this paradigm have been limited (Bouchikhi, 1993; Löbler, 2006; Schulten, 2007). However, many scholars recommend it as a more useful perspective from which to view entrepreneurial processes (Bouchikhi, 1993; Fletcher, 2006; Lindgren & Packendorff, 2009), rather than the more established functionalist paradigm, as it embraces the context of the entrepreneur and the social environment within which they operate (Fletcher, 2006).

4.2.1 Philosophical Approach Adopted for This Study

Exploring the entrepreneur's experience of business failure, this study requires consideration of the entrepreneur's cognitive constructions and sensemaking of the business failure experience (Fletcher, 2006). Sensemaking is philosophically founded on constructivist assumptions (Savolainen, 1993), which favour individual subjective knowing, private sensemaking and cognitive mapping of the entrepreneur (Schwandt, 1997).

In addition to the entrepreneur's private world, the entrepreneurial experience and the business failure experience, is constructed by the entrepreneur communicating and interacting with others (Cope, 2011; Fletcher, 2006; Schulten, 2007). Therefore, in addition to considering the individual entrepreneur, it is also important to consider the socio-cultural practices and norms that shape their cognitive configurations.

The combined interest in the individual entrepreneur, their background and family, as well as, the wider societal, economic and cultural structures that influence their practices (Lindgren & Packendorff, 2009; Schwandt, 1997), indicates social constructivism is a strong platform to explore experience of business failure. Social constructivism caters for the entrepreneur's cognitive maps, categorisations and representations that guide their action (Lindgren & Packendorff, 2009), the social context and environment within which their process of sensemaking occurs, during and after business failure (Fletcher, 2006; Schulten, 2007). The following section outlines the implications for adopting a social constructivist approach for the design of this study.

4.3 The Fieldwork

This study aims to explore how an entrepreneur makes sense of business failure, and experiences the business failure process. In particular it asks:

> *1 (a): How do entrepreneurs respond to business failure?*

> *1 (b): How do entrepreneurs make sense of business failure?*

> *1 (c): How do emotions influence the sensemaking process, after business failure?*

> *1 (d): How do coping mechanisms influence the sensemaking process, after business failure?*

 And,

> *2 (a): How does the process of business failure unfold for the entrepreneur?*

2 (b): How does sensemaking unfold for the entrepreneur, throughout the business failure process?

2 (c): How do emotions unfold for the entrepreneur, throughout the business failure process?

2 (d): How do the entrepreneur's coping mechanisms emerge, throughout the business failure process?

Given the subjective nature of this study's research questions, an interpretive research inquiry is most appropriate. Interpretivism is described as "a cluster of approaches concerned with an instrumental notion of reality" (Benton & Craib, 2001, p. 75). It takes a disparate view to functionalism, where the positivist epistemology is more philosophically aligned to natural sciences than the social sciences (Benton & Craib, 2001). An interpretive approach introduces greater voluntarism, human action and greater diversity in social meaning (Pittaway, 2005); and interpretive investigators believe reality is subjective.

Researchers adopting an interpretive approach view the world through the eyes of individuals (Jennings et al., 2005) and consider how to interpret the meanings that people give to their actions (Benton & Craib, 2001). Inductive and exploratory methods are recommended when exploring how individuals make sense of real and significant experiences from their past (Cannon, 1999). The study of sensemaking involves observing and interpreting participant accounts (Maitlis & Lawrence, 2007) to explore the way in which individuals create, modify and interpret their world (Burrell & Morgan, 1979; Lindgren & Packendorff, 2009; Morgan & Smircich, 1980). "Intensive qualitative methods" (Maitlis & Lawrence, 2007, p. 59), such as the case study approach (Bouchikhi, 1993), are considered an effective methodological approach. The following section outlines the nature of previous research on business failure. I identify a need for greater empirical research, in particular, qualitative studies that can provide richer detail of the failure experience. I continue by explaining how this multiple study was designed, conducted and analysed to address the research questions outlined previously.

4.3.1 Research Design

Studies on business failure have been mostly descriptive and conceptual in nature (Askim & Feinberg, 2003). While there have been indications and propositions, very few of these originate from factual observations (Baumard & Starbuck, 2005; Shepherd & Cardon, 2009). Where there have been empirical studies, they predominantly use quantitative methods (Pretorius, 2008), and analyse statistical data and event histories to piece together an understanding of "what went wrong" (Liao, 2004, p. 144). In a review of literature on life after business failure, Ucbasaran et al. (2013) review 40 articles, only 9 of which are based on findings from qualitative research (18 articles reviewed were based on quantitative studies and 13 articles were conceptually based).

However, when exploring variables such as the individual or the human side of entrepreneurship (Jennings et al., 2005), insights that are rich in details and thick descriptions are exceptionally useful (Jack & Anderson, 2002). The most common qualitative studies exploring entrepreneurial cognition are case designs (Forbes, 1999) and a multiple case study research strategy was adopted for this study. Case study theory building is a bottom up approach, where data produces the generalisations of new and novel theory (Eisenhardt, 1989). There are several circumstances in which case study research is recommended, including: when little is known about the particular phenomena under investigation (Robson, 2002); when data are rare or sensitive (Eisenhardt, 1989); when extant theories do not appear useful for exploring the research question (Eisenhardt & Graebner, 2007; Eisenhardt, 1989; Yin, 1994); when theory building at the early stages of research on a topic (Eisenhardt, 1989); and, when dealing with "how" and "why" type questions (Yin, 2003b, p. 5). Many of these criteria apply to the study of business failure, where data is sensitive, where there are many unknowns and 'how' and 'why' type questions are being asked. Therefore, a case study research design is an appropriate research method for this study.

Case studies have suffered much criticism, and have recently been "pushed aside" (Sjoberg, Williams, Vaughan, & Sjoberg, 1991, p. 27) and sharply downgraded for their lack of rigour, for producing narrow theory, and for providing little basis for

scientific generalisation (Sjoberg et al., 1991; Yin, 2003b). Yet, recently case studies have been more successful in the field of entrepreneurship. See, for example Biniari (2012) and Fauchart & Gruber (2011). With regard to rigour, (Yin, 2010, p. 9) reminds us how "scientific facts are rarely based on single experiments but are instead usually based on multiple sets of experiments that have replicated the same phenomenon under different conditions." Similarly, the use of multiple case studies is considered more robust than single case studies. Multiple case studies follow the same logic as multiple experiments. Each case is treated as a series of experiments which serve to confirm or disconfirm the hypotheses (Eisenhardt, 1989). Multiple case studies allow for the observation and analysis of phenomena in multiple settings, supporting the development of replication logic (Eisenhardt & Graebner, 2007; Yin, 1994), where replications of findings signify robustness and confirmation of emergent relationships, enhance confidence in the validity of those relationships and indicate there is value in continuing the investigation (Eisenhardt, 1989; Yin, 2003a). As for generalisation, the goal of case studies is not to generate statistical generalisations but instead to expand and generalise theory (Yin, 2010).

With these considerations, I now introduce how I conducted a multiple case study. I begin by outlining the sampling approach, which I used to recruit entrepreneurs who had experienced business failure. Before describing the interview process, I address a number of concerns on conducting retrospective interviews, including the risk of self-report bias. I also introduce the importance of narrative and storytelling in researching sensemaking. I finish this section with an overview of how the interviews were prepared and conducted.

4.3.2 Sampling Process

In recruiting participants for this study, I adopted a theoretical sampling approach (Bouchikhi, 1993). Theoretical sampling is defined as the process of data collection for generating theory (Glaser & Strauss, 1967). Theoretical sampling involves developing theory as it emerges (Glaser & Strauss, 1967; Strauss & Corbin, 1998). The data gathering process is driven by concepts derived from the evolving theory

(Strauss & Corbin, 1998). The researcher collects codes and analyses their data, aiming to "make comparisons" between places, people, or events that will densify categories in terms of their properties and dimensions (Strauss & Corbin, 1998, p. 45).

Aiming to maximise this density, and realising that grief is greater over the loss of objects for which the individual has made sustained emotional investments (Jacobs, Mazure, & Prigerson, 2000), I focused on the entrepreneurs of small businesses. These entrepreneurs, more than serial or portfolio entrepreneurs, who may well have experienced multiple failures (Westhead, Ucbasaran, & Wright, 2005b), have an incredibly "tight" relationship with their business (Bird, 1992; Cardon et al., 2005; Florin, Lubatkin, & Schulze, 2003; Gartner, 1988) often the entrepreneur and their venture are considered one and the same (Bygrave, 1989) and it is suggested that the entrepreneur's and their business identities are often firmly intertwined (Cardon, Wincent, Singh, & Drnovsek, 2009; Murnieks & Mosakowski, 2006). Given this obsessional relationship with their venture (Berry & Friedenson, 1990), the entrepreneurs of small businesses are ideal subjects for investigating the emotional state of individuals attempting to make sense of their failure.

Theoretical sampling seeks diversity to allow for variation (Strauss & Corbin, 1998). For example, with their exploration of organisational deaths, Harris and Sutton (1986, p. 8) sought heterogeneity "to help generate theory about both constant elements that arise in all, or almost all, organisational deaths and variable elements that explain differences among organisational death processes." Likewise, Bouchikhi (1993) chose entrepreneurs of very different backgrounds, emphasising how participants had greater differences than commonalities. I too sought to explore constant elements within different contexts. In particular, I chose a sample of entrepreneurs that represented the diversity that exists amongst entrepreneurs (Cardon et al., 2009; Westhead & Wright, 1998) in terms of industry (Covin & Slevin, 1989), firm size (Brüderl & Preisendörfer, 1998), age of entrepreneur (Levesque & Minniti, 2006), gender (De Bruin, Brush, & Welter, 2007), and the nature of failure (Shepherd & Cardon, 2009).

There is a paucity of evidence on business failure, and specifically on the entrepreneurs who have experienced business failure (Askim & Feinberg, 2003; Sarasvathy & Menon, 2002; Zacharakis et al., 1999). One of the main reasons for a lack of empirical studies on business failure is because researching small business management failure is "fraught with difficulties" (Beaver & Jennings, 2005, p. 15) and considered "well-nigh impossible" (Sarasvathy & Menon, 2002, p. 7). First and foremost, it is difficult to locate failed entrepreneurs as they are reluctant and typically unenthusiastic about documenting their failure (Liao, 2004). The problem is that "People just simply do not walk around with business cards that say 'failed entrepreneur'" (Sarasvathy & Menon, 2002, p. 7). Second, even if an entrepreneur is identified, he or she may be hesitant to discuss the failure (Bruno, Lendecker, & Harder, 1986). There are significant psychological, emotional (Shepherd, 2003) and social barriers (Askim & Feinberg, 2003; Beaver & Jennings, 2005; Cope, 2011) associated with failure, and if the entrepreneur sees the business failure as a personal failure, it will create huge pain and grief for them. The entrepreneurs can also perceive a social stigma associated with failure and may find it difficult to speak publically about their experience (Askim & Feinberg, 2003; Beaver & Jennings, 2005).

To address these challenges, I used a snowballing approach amongst "gatekeepers", professional friends, and respondents to help identify entrepreneurs who had experienced business failure. I started with gatekeepers who worked closely with entrepreneurs including a business angel, enterprise agencies, enterprise networks, accountants, solicitors, liquidators, entrepreneurs, and individuals whose parents' businesses has failed. By establishing contact with these gatekeepers, meeting them, and explaining my research I hoped they could identify clients, friends or family who would be eligible, interested and available to participate. After each interview, I sent an email recapping the details of the study and requesting the gatekeepers to circulate information on the study amongst their client base (Appendix A). Table 1 presents a summary of these meetings, identifying the gatekeepers and the outcomes of our meetings.

Table 1 Gatekeepers Contacted to Access Companies

	Name[1]	Occupation	Outcome
1.	Nathaniel	Enterprise Network CEO	E-mail circulated to member base of 400 clients. Responses from 8 members. 3 entrepreneurs became participants
2.	Geoff	University Technology Transfer Office	Own business had failed and he became a participant
3.	Alan	Enterprise Agency	Contacts received for 10 companies. 10 companies contacted. 2 companies (with 2 entrepreneurs each) became participants
4.	Chris	Policy Consultant, Chamber of Commerce	No contacts received
5.	Yvonne and Breda	Youth Business Network	No contacts received
6.	Myles	Enterprise Advisory Service	Own business had failed and became a participant
7.	Steve	Solicitor	No contacts received
8.	Arron	Accountant	No contacts received
9.	Alfred	Business Angel	No contacts received
10.	Sonny	Son of family business failure	No contacts received
11.	Diane	Daughter of family business failure	No contacts received
12.	Seamie	Entrepreneur and son of family business that nearly closed before he took over	No contacts received
13.	Liam	Restructuring and Liquidators	No contacts received
14.	Angela	Accountant	No contacts received
15.	Various at Enterprise Network dinner	Entrepreneurs	1 entrepreneur participated

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[1] Names and agencies have been anonymised.

The gatekeeper referral strategy employed for this study resulted in the recruitment of nine entrepreneurs. Of these nine entrepreneurs, three entrepreneurs were recruited through an enterprise network; four entrepreneurs were recruited through an enterprise agency; and, two gatekeepers had in fact experienced business failure and agreed to become research participants. Where there was no follow up by the gatekeepers, they stated (a) client confidentiality, and (b) lack of clients with failed businesses as the main reason for not becoming involved. In addition to identifying entrepreneurs, such conversations contributed significantly to my understanding of business failure and its impact on different stakeholders and family members (as with (Sutton, 1987). These interviews acted as preliminary, pilot interviews and proved to be a useful opportunity to practice my interview skills.

The last five participant entrepreneurs were recruited as follows: First, as is recommended by Denzin and Lincoln (2000), I asked each of the nine participating entrepreneurs if they could recommend additional candidates and recruited one more participant this way. Second, I was invited by one participant to attend an enterprise networking event to promote my study. This resulted in the recruitment of one more participant. Third, I recruited a further 3 participants through my own professional contacts. In contrast to the expectations outlined in the literature (Sarasvathy & Menon, 2002) yet similar to Zacharakis et al's (1999) experience, most of the entrepreneurs who were contacted were willing to grant interviews – where my particular challenge lay was in identifying the entrepreneur and in making that initial contact.

The recommended number of cases for a multiple-case study design is between six and ten (Yin, 2003b). Previous multiple case studies of entrepreneurs who have experienced business failure are typically low. Of nine qualitative studies on recovery from business failure, reviewed by Ucbasaran et al. (2013), four are based on findings from case study designs where researchers met from one (Huovinen & Tihula, 2008) to eight entrepreneurs (Cope, 2011; Zacharakis et al., 1999) with an average number of 5.5 participants. A further guideline for how many cases to include, is to stop at the point at which there were less new insights emerging from

additional interviews (Strauss & Corbin, 1998). I continued to collect data until I reached theoretical saturation, which occurred after meeting with 14 entrepreneurs.

Each participant and their experience of business failure was treated as a separate case study. In two instances with the contacts I received from Alan at the Enterprise Agency, I spoke to both a founding member who was involved from the start and the CEO who had joined the business and had to lead it into administration (Max and John, and Myles and Drew). With Max and John, John's interview is discounted as his contribution during the interview was minimal. Max's contribution was far more detailed and stood out as a case in its own right. With Myles and Drew, both were met separately and gave sufficiently separate accounts of the failure experience. As a result both of their accounts remained equally important to keep and were considered as individual case studies of entrepreneurs who had experienced business failure. An anonymised profile of the 13 participating entrepreneurs is provided in Table 2, while a more detailed overview of the entrepreneurs and their firms is presented in Chapter 5.

4.3.3 Concerns with Interview-Based Research

There are many concerns with the use of interviews to research cognitions and emotions (Ellsworth & Scherer, 2003). Self-reporting and introspection may contain many biases and errors (DeTienne, Shepherd, & Castro, 2008) such as recall bias or hindsight bias (Fischhoff, 1975), retrospective bias (Aaker & Day, 1986; Feldman & March, 1981), and attribution bias (Fiske & Taylor, 1991). A further bias which significantly "muddies the waters" with business failure research (Cardon & McGrath, 1999, p. 3) is self-presentation bias (Blumstein, 1991), when a person might discuss an experience differently in an interview than they would when cognitively processing it in private (Cannon, 1999).

Table 2 Profile of Participant Entrepreneurs

	Name & Age[2]	Nature of Business	Failure Event	Age of Bss. at Failure (Years)	Size at Failure (E'ees)	Year of Failure
1	David 49	Agriculture (Vegetable Farm)	Voluntary Liquidation	3 Generations	45	2002
2	Drew 44*	Electronic Manufacturing	Voluntary Liquidation & Trade Sale	4	5	2010
3	Geoff 44	Publishing	Voluntary Liquidation	3	2	2000
4	Graham 62	Management Consulting	Voluntary Liquidation	18	15	2010
5	Malcolm* 45	Electronic Manufacturing	Voluntary Liquidation & Trade Sale	4	4	2010
6	Mark 62	Wholesale (Industrial Clothing)	Voluntary Liquidation	33	10	2009
7	Matthew 35	Confectionary	Involuntary Liquidation	9	25	2010
8	Max 46	Electronic Engineering	Voluntary Liquidation	5	5	2010
9	Myles 35	Manufacturing (Board Games)	Dissolved own Business	2	3	1992
10	Nancy 30	Retail (Book Store)	Dissolved own Business	1	1	2009
11	Nick 46	Recruitment	Voluntary Liquidation & Trade Sale	12	10	2009
12	Sam 40	Games Development	Dissolved own Business	5	25	2011
13	Sarah 32	Retail (Ladies Boutique)	Involuntary Liquidation	5	15	2010

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[2] Names have been anonymised and listed alphabetically

* Drew and Malcolm were involved with the same company but are considered as separate cases

For example, the research participant may struggle with the content being explored and may choose *not* to reveal or discuss aspects that are particularly sensitive (Saunders, Lewis, & Thornhill, 2009). Or indeed, the participant may be asked about a particular emotion or process that they *cannot* access (Nisbett & Wilson, 1977). There is also a risk that relying upon participants' self-reporting may yield a distorted picture through self-selection bias (Beaver & Jennings, 2005), where the participant may have their own motivations for wanting to share or not share their experiences (Askim & Feinberg, 2003). Lastly, there may also be a response bias, where their responses during the interviews are a reaction of their perceptions of me, the interviewer. However, the nature and purpose of this study was to explore sensemaking, emotions and coping of the entrepreneur. Sensemaking requires a different way of thinking about the research and is addressed further below.

4.3.4 Sensemaking and Plausibility

While an interview account might only be considered as good as a verbal report of an event (Yin, 2003a), an alternative view suggests if an individual readily volunteers a particular recollection, with minimal questioning, then that recollection can be considered an accessible memory (DeTienne et al., 2008). In this regard, Diener and Dweck (1978) and Klinger (1998) contend that 'talking' is a reasonable reflection of what an individual is thinking at the time. Also, from a social constructivist perspective, external expressions such as verbal reports and language are accepted as representation of internal cognitive processes (Fletcher, 2006; Lindgren and Packendorff, 2009). Thus, the use of interviews to enquire about the individual's portrayal of events and thoughts is accepted and welcomed.

Cognitive theorists believe that "the human memory system is not so much designed to accurately reconstruct the past as it is to make sense of it in order to better anticipate the future" (Pezzo & Pezzo, 2007, p. 148). As such, sensemaking research is less interested in seeking one true and final picture of how the world actually is (Weick, 1995). Instead, the researcher is focused on the coherent and plausible account that the individual has created (Weick, 1995). These plausible accounts are

referred to as narratives. Sensemaking adopts a narrative approach where the researcher's interest lies far more in the individual's interpretation of past events than their accurate account of those events (Cannon, 1999).

4.3.5 Sensemaking and Narratives

Sensemaking is a narrative process in which meanings are constructed and shared (Buchanan & Dawson, 2007). Narrative is a cognitive process, a mode of thinking (O'Leary & Chia, 2007) and mental operation that organises human experiences into temporally meaningful episodes (Polkinghorne, 1988). Narratives can include stories, scripts, anecdotes, legends, sagas, histories, myths, reports (Buchanan & Dawson, 2007), case histories and narrative explanations (Polkinghorne, 1988). The term narrative is synonymous with storytelling (Brown et al., 2008), and the terms are often used interchangeably (Brown & Jones, 1998; Brown et al., 2008; Humphreys & Brown, 2002). Telling a story is thought to help make sense of an event, by making connections between the past and future as well as aiding the application of sensemaking, in terms of learning (Brown et al., 2008) and becoming (MacLean, Harvey & Chia, 2012).

As such, people can be described as 'homo narrans' (Fisher, 1984, p. 6) or indeed 'homo fabulans' – the tellers and interpreters of stories and narratives (Currie, 1998, p. 2). Storytelling is central to a sensemaking perspective (Weick, 1995). Storytelling "preserves plausibility and coherence, something that is reasonable and memorable, something that embodies past experience and expectations, something which resonates with other people, something that can be constructed retrospectively but also can be used prospectively, something that captures both feeling and thought, something that allows for embellishment to fit current oddities, something that is fun to contrast" (Weick, 1995, pp. 60-61).

As a research approach, narratives are a natural way for individuals to relate the details of a complex and sensitive event (Cannon, 1999) and "a great deal can be learned by asking people to provide narratives about stressful events, including what

happened, the emotions they experienced, and what they thought and did as the situation unfolded" (Folkman & Moskowitz, 2004, p. 754). For example, in a study on general failure, Cannon (1999) found that narratives were an unobtrusive way to assess how individuals tried to make sense of their experiences and were easier to explore failure with, than the use of direct questioning. While Mantere et al. (2013) suggest that narratives provide a means for both cognitive and emotional processing of failure, as they facilitate grief recovery and self-justification (Mantere et al., 2013). Elsewhere it is felt that *testimonios* of business failure and cognitive insights would help us learn more about failure (Hindle, 2004).

4.3.6 Researching Process Theory

A narrative approach is also central to process studies and narratives can capture the unfolding sequences of events to produce a given outcome (Bartunek, 1984; Pettigrew, 1985; Van de Ven & Poole, 2005). The stories of the unfolding process should describe a progress or sequence of events that include sequence in time, focal actor or actors, an identifiable narrative voice, some form of evaluative frame of reference, and a sense of context (Van de Ven & Poole, 2005). With process theory, the narrative approach does not seek consistency and uniformity in stories over time (Poole et al., 2000). Nor are long sequences of actions, or the particular twists and turns, of an entity's history required for a valid explanation. Instead, the focus is on producing a chronological list of events or stages that represent reconstructions of the process (Poole et al., 2000).

Collecting narratives for process research holds different challenges (Nortier, 1995; Van de Ven & Poole, 2005), as many processes are taken for granted. Capturing change as it unfolds is as difficult as "catching reality in flight" (Pettigrew, 1992, p. 11). Yet, process methods need to account for temporal connections between events, different time scales in the same process, and the dynamic nature of processes (Van de Ven & Poole, 2005). Therefore, many process studies involve "tracing back" into historical memories (Abbott, 1990) through interviews and archival data (Langley, 2007).

Adopting a narrative approach to research process can be achieved with the use of a multiple case study (Leonard-Barton, 1990; Van de Ven & Poole, 2005). With multiple case studies, intensive qualitative analysis is conducted to compare and contrast a limited number of cases that produce contrary results (Yin, 2003b). This process typically produces rich accounts that have a compact and explicit theoretical focus (Van de Ven & Poole, 2005). Process data is analysed for the multiple time scales, shifts and events that characterise processes (Langley, 1999). Events are then coded for changes in key dynamics while also recognising that different variables and dimensions may be relevant at different stages (Poole et al., 2000).

Having explained the nature of research on sensemaking, narratives and process theory, the following section outlines how I implemented these findings into a fieldwork design that involved a combination of interview and secondary research resources. I begin by outlining the preparation and structure of interviews before documenting how important it was for me to keep my emotions "in check" throughout the interview process.

4.3.8 The Interviews

The aim of the interviews was two-fold: first, to explore the nature of entrepreneurial sensemaking of business failure; second, to explore how the business failure process unfolds for the entrepreneur. I identified and recruited 14 entrepreneurs to address these questions. The interviews were conducted over a period of seven months, from February to August, 2011. To facilitate the entrepreneurs in terms of convenience, comfort and familiarity, I encouraged them to suggest a location for the interviews. Most chose coffee shops and where the entrepreneur showed no preference, I recommended a city centre hotel for its centrality, space, quiet environment and also its access to parking and public transport. The interviews were digitally recorded and later transcribed verbatim.

Business failure has been compared to death (Shepherd, 2003) and when conducting research with entrepreneurs who have been through business failure, it is important

to understand: the process of grief, grief recovery, how grief impacts on individuals and how it impacts on the researcher. For example, in his study on company closures, Sutton (1987, p. 546) reports how his participants "expressed strong emotions during interviews, especially rage and sadness." As a result, he found that "working with these informants required a more complex exchange relationship than research with less distraught informants" (Sutton, 1987, p. 546). Sutton's study occurred immediately after the closure. In comparison, the businesses of participants of this study had closed from 18months to 20 years before our meeting. However, the loss literature indicates that a loss always remains a loss (Humphrey & Zimpfer, 2007; Neimeyer, 1998; Parkes, 1986). Thus asking participants to share stories of their loss required sensitivity.

A further challenge was the sensitive nature of this research. Participants were likely to have experienced, and possibly display during the research, a spectrum of emotions and suffering. Some may have encountered significant consequences as a result of losing their businesses. This sensitivity presented challenges in terms of creating space and a safe environment for people to speak about their experiences, and also in terms of analysing and presenting the findings (Sutton, 1987). To achieve a safe environment for the participants, I aimed to establish their trust and confidence in both myself and the research process (Baumard & Starbuck, 2005).

Considering the needs of conducting such interviews, I completed a Certificate in Counselling Skills in advance of commencing the fieldwork for this study. This training proved invaluable for both conducting and analysing the interviews and assisted with conducting narrative-based research. In particular I learned how to handle sensitive information, put participants at ease, establish a rapport, build trust, and protect myself from becoming too involved.

The interviews were semi-structured in nature and lasted from one to two hours, with an average length of 90 minutes. Semi-structured interviews are a preferred approach for exploratory research (Lincoln & Guba, 1985) and appropriate when a problem is not already pre-defined prior to the interview. To provide some structure to the conversations, I designed a 3-stage interview protocol (Eisenhardt, 1989). The

protocol was developed using a basic counselling framework of beginnings, middles and endings, which is recommended for any meeting that requires privacy, the maintenance of professional boundaries and confidentiality (McLeod, 2009). This protocol is outlined in the following paragraphs while the theoretical logic of questions asked along with samples of questions asked are included as Appendix B. While I was interested in exploring sensemaking, emotions and coping from different perspectives, I was also interested in capturing insights into the failure experience as a whole. Appendix B shows the variety of themes that could arise in the interviews.

Applying a counselling approach the "beginnings" of a meeting are based on establishing a relationship, confirming confidentiality, exploring the issues and explaining the nature of the meeting (Hough, 1994). Prior to the interviews, I had multiple correspondences with the participants through referrals and e-mails, which helped establish a degree of rapport before we met. In keeping with a narrative approach, I chose not to conduct extensive background research on each participant prior to meeting. Instead, I preferred to capture their stories, emotions and thoughts of the failure experience firsthand, rather than through media documentation. The use of secondary data came afterwards (and is described in a later section).

I began the interviews with an informal conversation, a brief introduction and an overview of the research to help put the entrepreneurs at ease. I asked for permission to record the interview and assured confidentiality with all data collected. I also encouraged the participants to speak at their own pace throughout the interview. As with Cannon (1995), questions were designed to elicit memories, and began with the phrase "Tell me the story of ..." which I followed up with further probing to gain a clear and full picture of events. To start, I asked the entrepreneurs to tell the story of their business. Giving a description of the background of the business helped relax the participants and build trust. Gaining a clearer understanding of their business also helped me to ask future questions.

The "middles" stage of a counseling encounter require deepening the relationship, widening the range of issues, exploring feelings, insight and understanding (Hough, 1994). When sufficient trust had been established, between the participant and I, the

second part of the interview explored the emotional impact and loss associated with the closure.

As with other narrative studies that aim to capture sensemaking (Brown, Stacey, & Nandhakumar, 2008; Cannon, 1999; MacLean, Harvey & Chia, 2012), the entrepreneurs were asked questions about their feelings of the experience, why it happened, goals and expectations, the involvement and influence of others, subsequent actions, the effect on behaviour, memory and motivations since closure. One concern with conducting the research was whether participants would speak to a stranger about something as personal as failure. Yet with grief, speaking to a stranger is thought to give the bereaved an opportunity to talk without having someone contradict them, and allows them to integrate information in whatever way they choose (Graves, 2009). I also noticed a willingness to open up to a stranger and observed an increase in trust throughout each interview, as the participants relaxed and elaborated more on their experiences. For example, I noticed a change in use of third person to first person (Drew); movement from monosyllabic answers to longer, more descriptive answers (Malcolm); slowing rate of speech and relaxing more (Nancy); changes from praising the success of the business to discussing on-going, underlying problems (Sarah), admitting weaknesses and own faults (all).

The "endings" of a counselling encounter review the conversation, focus on the future and discuss if there will be future contact (McLeod, 2009). The last stage of the interviews focused on life for the entrepreneur post closure. Participants were asked about learning, motivation and how they felt since. The interview concluded with a summary of the study, and a request for permission to contact the participant if I needed to follow up. I wished the participants well and asked if there was anything additional they wished to add. In four instances (Geoff, Graham, Matthew, Nancy), I conducted second interviews for further clarification of their experiences of business failure.

Although this was not the aim of the study, participation may indeed have assisted the entrepreneurs' sensemaking process, as has occurred in previous sensemaking

and narrative studies (Brown et al., 2008). For example, Savolainen (1993) suggests that:

> "People participating in (sensemaking) research benefit from it. When they consider the factors connected with some problematic situation, trying to define their freedom within situations, as well as structural constraints connected with them and the bridges by which they have managed to cross the "gap" they concomitantly understand better their individual approaches and limitations in solving problems in everyday life settings" (Savolainen, 1993, p. 24).

Furthermore, in his study of dying organisations, Sutton (1987) found his participants expected him to listen, say kind things, and provide feedback, in return for providing data. Likewise, participants of this study often wanted to know more about the study and the experiences of other participants. Moreover, my own personal thoughts on business failure were sought, drawing me and the interview process into their on-going sensemaking. Quite often participants expressed gratitude at having the opportunity to discuss the experience. Many admitted of not having spoken much about the experience previously. While others mentioned our conversation was "cathartic" and "therapeutic" and seemed to assist with their making sense of business failure.

While each interview followed this basic protocol, the semi-structured nature of the interviews meant that each conversation also flowed in its own direction, as is reflected in the idiosyncratic nature of each participant and their story. For example, Myles spoke more about how he felt when his business closed and how it impacted on him and his professional career before or after the event. Sarah spoke far more about the success of her business than her life after it closed.

Throughout the interviews, I drew upon the skills I developed throughout my training, as part of the Certificate in Counselling Skills. These skills included the practice of verbal and non-verbal skills of: opening and closing interviews, listening, paraphrasing, summarising, asking questions in a helpful, non-interrogatory way, encouraging clients to be specific, reflecting their feelings, helping them clarify their

thoughts, encouraging them to focus on key issues, offering forms of challenge when needed, pacing and timing, establishing confidentiality, using active listening skills such as attending, paraphrasing and reflecting feelings (Hough, 1994; McLeod, 2009; Nelson-Jones, 2000). Thus, the interviews were a combination of open-ended and probing questions, which were asked in a non-obtrusive, tentative way.

I maintained focus on what the participant was saying. I concentrated on the stories the participants told and the way in which they were told. I also summarised what I was hearing along the way. I offered empathetic statements to convey a sense of the participant's difficulty and reflected back the feelings that I perceived by tone, volume, pitch of voice, physical movements (Nelson-Jones, 2000). Participants were asked probing and clarifying questions to explain further details of times, events, emotions and reactions. A sample of the questions asked is included as Appendix B.

When speaking to people about a traumatic incident, the listener is bound by an ethos of care and power (COSCA, 2009). As a listener, I held many responsibilities and it was important to maintain boundary issues and adhere to strict confidentiality. While it was important that I considered myself-in-context (i.e. showed advanced empathy to the participant), it was also important to keep my own emotions at bay as there is a likelihood of countertransference or emotional entanglement from the speaker (participant) to the listener (me). This "emotional contagion" (Jung, 1968) presented further insight into what the participants themselves felt (Hsee, Hatfield, & Chemtob, 1992). The training and assessment for the Certificate in Counselling Skills required me to undertake weekly skills practice, where I practiced transcript analysis, self-awareness, self-reflection and documenting my thoughts, feelings and emotions throughout an interview or training triad. Furthermore, I was required to explain the justification of the questions I asked. I maintained a similar approach for this study, which is evidenced in the excerpts from my field notes and interview reflections which are included as Appendix C.

4.3.9 Data Collection Triangulation

I conducted a process of triangulation to build robust and detailed case studies. I also collected data through field notes based on observations before, during, and after the interviews. Memories of failure are thought to be accessible, vivid, painful and self-critical. They are memories of being surprised, and memories of events people want to prevent (Cannon, 1999). Recalling these, or any memory, can trigger a variety of physiological, facial and vocal responses (van Reekum et al., 2004). For example, facial expression is considered a rich and dependable source of information about emotions (Ekman & Friesen, 1969; Lazarus, 1991) while speech hesitations can be seen as an indicator of uncertainty. These nonverbal responses can be used to complement verbal responses (Ellsworth & Scherer, 2003). Clinicians often assess clients' emotional states by considering their facial, vocal, and postural expressions of emotions and the context in which these reactions occur (Hsee et al., 1992).

When conducting research for case studies, Eisenhardt (1989) recommends noting everything at the time and sifting through it after. Likewise for this study, in my research diary and transcript analysis, I noted changes in the participants' affective structures such as body language, speech patterns and tone of voice (Abelson & Sermat, 1962; Cliff & Young, 1968; Dittmann & Llewellyn, 1969). I captured the entrepreneurs' reactions as they recounted their experiences. Adopting a psychoanalytic approach of listening back to recordings for speech patterns and vocal responses, helped me to identify any additional information that may not have been apparent with the interview transcripts alone. Psychology researchers of facial expression have filmed the face in action to develop methods for coding the facial action (Ekman's work with adults, and Izard's with young children). My field notes were limited in that the interviews were not videoed. Such a resource would have been more dependable than relying on field notes for facial expressions (Lazarus, 1991). However, it might also have created some awkwardness and heightened self-awareness with the research participants. Selections of excerpts from my research diary are included as Appendix C.

In addition to detailed field notes, I used archival records and where possible analysed public materials relating to the firms and their founders. These secondary

sources of data included press releases, twitter feed, Linked In information and company websites, which helped to provide additional supportive and background information. In many cases, this data helped augment and validate the accounts provided by the entrepreneurs. In summary, recorded interviews typically lasted one to two hours and the transcribed interviews amounted to 30 pages of single-spaced text per entrepreneur. The post- interview notes and secondary data varied in length but were typically 46 pages for each entrepreneur.

4.4 Data Analysis

In this section, I outline how I used a combination of two analytical approaches, within-case and cross-case analyses, along with first-order and second-order analysis of constructs, to examine the data. A summary of these approaches and their outcomes are presented in Table 3. First, I began by conducting a detailed within-case analysis of each entrepreneur's narrative (Eisenhardt, 1989). At this stage I sought to identify dynamics present within each single case study. By following guidelines for coding and analysing narratives (Brown et al., 2008; Polkinghorne, 1988) and qualitative data (Miles & Huberman, 1984a; Strauss & Corbin, 1998), I reviewed the transcribed narrative accounts alongside other data including secondary sources, field notes and observations. The findings from the within-case analyses are outlined in Chapter 5, where I present vignettes of the 13 entrepreneurs' narratives of their business failure experience.

Table 3 Summary of Data Analysis Approaches and Outcomes

Analytical Approach	Outcome of Analysis
Within-case analysis	Case studies and vignettes
First-order analysis	Dominant themes of business failure experience
Cross-case analysis	Relationship between cases
Second order analysis	Relationship between constructs

Second, when the within-case analysis was completed, I conducted a first-order data analysis (Gioia & Chittipeddi, 1991) of each case study. The aim here was to (a) identify the main themes emerging from each case study, with the intention of establishing the dominant constructs of the business failure experience, and (b) to establish robust constructs from which to conduct cross-case and second order analysis. Given the exploratory nature of the study, in addition to discussing sensemaking, emotions and coping, the entrepreneurs were encouraged to tell their story of their failure experience. This holistic approach generated data on themes additional to coping, emotions and sensemaking. This resulted in an initial first-order analysis identifying 25 themes associated with the business failure experience. These constructs are presented in the left hand column of Figure 1.

To make these constructs more robust, I subsequently condensed these 25 themes into 8 classifications (central column of Figure 1) before lastly re-organising them as the four broad dimensions of the entrepreneur's experience of business failure, presented on the right hand column of Figure 1. The final construct classifications I derived of the business failure experience, are: Internal (emotions and cognition), Behavioural (learning/sensemaking and coping), Challenges (environmental, regulatory, social, and financial) and Support (personal, organisational professional, non-organisational professional). The explanations of these dimensions are presented in Table 4. Embedded within these dimensions of the business failure experience, with other related constructs, are sensemaking, emotions and coping.

Third and fourth, having established the within-case and first-order analysis, I continued by conducting both cross-case analysis and second-order analysis. These analyses were conducted to address the research questions derived in Chapters 2 and 3 and identified similarities, differences and relationships between case studies (the 13 entrepreneurs) and between constructs (the 4 dimensions of the business failure experience) (Eisenhardt, 1989; Miles & Huberman, 1984b). Details of the cross-case and second-order analyses and findings are presented in Chapters 6 and 7.

Figure 1 Analysis: First and Second Order Codes

Original Constructs

- Learning
- Sources of help/ support/ advice
- Emotions and mind-set
- Metaphors used
- Needs of the participants
- Description of the business failure experience (language used)
- Factors influencing the failure experience
- Costs of business failure/ impact
- Public perception
- Awareness of self
- The term failure (perception of failure)
- Motivation to start business
- Recommendations
- Motivation during process and after closure
- The new business
- Defence mechanisms
- Role of the bank
- The process
- Decision to close
- Culture in UK versus USA
- Challenges
- Coping
- Needs

Review of Original Constructs

- **Emotions** (Including: metaphors used; description of the business failure experience; challenges)
- **Identity** (Including: self-awareness)
- **Coping** (Including: defence mechanisms)
- **Motivation** (What drives them at each stage)
- **Learning** (Including: advice; recommendations; awareness of self)
- **Financial Impact** (Including: investments; losses; challenges; complications; assistance)
- **Social** (Including: sources of help/ support; needs; advice; public perception, stigma, challenges, culture in UK)
- **Institutional** (Including: role of the bank; legal problems)

Final Constructs

- **Internal** (positive emotions; negative emotions; cognitions, sensemaking)

- **Behaviour** (emotion-focused coping; problem-focused coping; learning/ action)

- **External Challenges** (environmental; regulatory; financial; social)

- **External Support** (personal; organisational-professional; non-organisational professional)

Table 4 Construct Description

Construct	Description of Construct
Internal	
Positive emotions	Statements with underlying positive emotions. Not necessary to mention specific emotions but descriptions of events, exchanges or transactions that have underlying emotions of pride, happiness, hope, excitement, achievement, confidence, enthusiasm as evidenced by language, pace of speech, tone of voice, facial expressions and body posture.
Negative emotions	Anything with underlying negative emotions. Not necessary to mention specific emotions but description of events, exchanges or transactions that have underlying emotions of regret, anger, disappointment, frustration, loneliness, sadness etc. This is evidenced by language, pace of speech, tone of voice, facial expressions and body posture.
Cognitions	Looking for the way in which participants think, what they think about, and patterns of thought, as well as self-reflection and analysis. This includes examples of: Insight into participant's mind-set; the metaphors they used; the language they use in describing the failure experience; their use of the term 'failure'; their awareness of self; issues relating to their identity; their motivation during the failure process and after closure; their approach to decision making; their decision to close; their reasons for starting the business; evidence of sensemaking.
Behavioural	
Emotion-focused coping	The defence mechanisms participants mention. Can include the participant's discussion or signs of denial and/or avoidance of a problem; signs of distraction; taking space to think, understand and reflect; not talking about the problem; wanting to be in isolation; needing time away. It can also include blame.
Problem-focused coping	Focusing specifically on the source of the problem. Participant seems to have dealt with or describes dealing with the stressors, looking for solutions, looking to the future, and reacting to challenges. The participant shows evidence of trying to 'fix' situation. Little evidence of emotion, thinking or reflection. High motivation to start the business in the beginning.
Sensemaking	Application of sensemaking including plausible recommendations for the future; motivation to start another business; Expressing new meaning in life and plausible accounts of what they have learned about themselves, their business, relationships, people; what they have exercised through their new business, career; how they have changed practice; the advice they would give; examples of on-going, reflexive monitoring of the environment.

Construct	Description of Construct
Challenges	
Environmental	Challenging barriers participants faced or continue to face as a result of events occurring external to their firm.
Regulatory	The role that regulatory bodies such as the bank, institutional agencies such as HMRC, as well as enterprise agencies played in events that led to the business closing and have impacted the entrepreneur and their life since closure.
Financial	Sources of financial challenges; how financial challenges augmented/ created events that resulted in the business closing; discussion of personal finances and financial repercussions of business failure/ bankruptcy; on-going financial concerns with new business.
Social	The way in which the participant feels within society as a result of their business failing. Includes their impressions of how they are perceived publically, and their impression of the UK attitude towards business failure and entrepreneurs whose businesses have failed.
Support	
Personal	Discussion of the types and nature of support received currently and in the past. Personal support includes family and friends.
Organisational-professional	Support from within the business such as staff and business partners.
Non-organisational professional	Includes professional support received external to the business including the bank, liquidator, investor, enterprise network, enterprise agency.

Chapter 6 identifies the empirically-based, conceptual framework (Eisenhardt, 1989; Yin, 2003a; Yin, 2003b), which addresses the research questions derived in Chapter 2. Chapter 7 presents the empirically-based, conceptual framework that addresses research questions derived in Chapter 3.

4.5 Summary

This chapter presents an overview of the methodological approach that I adopted for this study. I first present the philosophical underpinnings of the study. I explain how social constructivism matches with my research agenda, in terms of understanding the experience of business failure from the perspective of the entrepreneur. I then outline how I identified and interviewed entrepreneurs, who had experienced business failure, to capture their narrative accounts of business failure. I indicate some concerns with conducting retrospective research, yet indicate how plausibility rather than accuracy is central to sensemaking and narrative research. I discuss some guidelines for conducting process research, before introducing the interview preparation and approach I adopted, to conduct the interviews and gather secondary sources of data. Lastly, I indicate how I used a combined approach of first and second order analysis, with within and cross-case analysis. Findings from the first-order data analysis are presented here, while findings from the within-, cross- and second-order analysis are presented in Chapters 5, 6 and 7 respectively.

Chapter 5: Description and Exploration of Cases Studies

5.1 Introduction

Having discussed the methodological approach applied in this study, I now introduce the findings of the within-case analysis. I begin the chapter with an overview of the key themes that emerged from the entrepreneur's narratives. Following this I introduce each of the 13 entrepreneurs who participated in this study. I present vignettes of the entrepreneurs' narratives and case studies. Each vignette presents the entrepreneurs' background, their business idea, events that led to the demise of their business and what they have been doing since. The vignettes reflect, and represent, the diversity of entrepreneurs and business failure experiences that exist.

5.2 Overview of the Entrepreneurs' Narratives

The main purpose of the within case analysis was to develop the stories and histories of each entrepreneur's narrative or case study (Polkinghorne, 1988). This study is based on narratives of 13[3] entrepreneurs (a summary of these participants is presented once more in Table 1). Two of these entrepreneurs were female and 11 were male. They ranged in ages from 31 to 62 years at the time of interviewing. Their firms were in business from one to 33 years and had ceased trading between one to 19 years prior to the interviews taking

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[3] As was explained in Chapter 4, 14 entrepreneurs were interviewed from 12 businesses. In one instance, two individuals, Drew and Malcolm, gave sufficiently separate accounts of the failure experience that they were considered as separate case studies. In a second instance, John's interview was discounted as his contribution during the interview was minimal.

Table 5 Profile of Participant Entrepreneurs

	Name & Age of Entr.	Nature of Business	Failure Event	Age of Bus. at Failure	Size of Bus. at Failure (Employees)	Year of Failure
1.	David, 49	Agriculture (Vegetable Farm)	Voluntary Liquidation	3 Generations	45	2002
2.	Drew, 44	Electronic Manufacturing	Voluntary Liquidation & Trade Sale	4	5	2010
3.	Geoff, 44	Publishing	Voluntary Liquidation	3	2	2000
4.	Graham, 62	Management Consulting	Voluntary Liquidation	18	15	2010
5.	Malcolm, 45	Electronic Manufacturing	Voluntary Liquidation & Trade Sale	4	4	2010
6.	Mark, 62	Wholesale (Industrial Clothing)	Voluntary Liquidation	33	10	2009
7.	Matthew, 35	Confectionary	Involuntary Liquidation	9	25	2010
8.	Max, 46	Electronic Engineering	Voluntary Liquidation	5	5	2010
9.	Myles, 35+	Manufacturing (Board Games)	Dissolved Business	2	3	1992
10.	Nancy, 30	Retail (Book Store)	Dissolved Business	1	1	2009
11.	Nick, 46	Recruitment	Voluntary Liquidation & Trade Sale	12	10	2009
12.	Sam, 40	Games Development	Dissolved Business	5	25	2011
13.	Sarah, 32	Retail (Ladies Boutique)	Involuntary Liquidation	5	15	2010

place[4]. The average time since business failure was 3.4 years, and the median time was one year. The type of businesses varied greatly including: a vegetable farm, electronic manufacturing, publishing, management consulting, wholesale industrial clothing, confectionary, electronic engineering, manufacturing board games, book store, recruitment, games development and a ladies boutique. The names of the participants have been anonymised to protect their identity. Throughout this chapter, they are presented in alphabetical order.

Each entrepreneur displayed a strong psychological attachment to, as well as a vested financial interest in their firm. For 10 of the 13 cases, the entrepreneur who was interviewed was the original founder. With the remaining three cases: one was started by his grandfather although the participating entrepreneur had been involved since childhood and was a shareholder at the time of closure; a second participating entrepreneur had been involved in the business in its infancy but left to pursue other projects. He returned a number of years later and managed it for the last two years until its closure; the third entrepreneur who was not the original founder, joined the firm 33 years before it closed as financial controller. After ten years he took over as managing director, and remained in charge until the business closed.

For 11 of the 13 cases, the entrepreneur I interviewed was the individual in charge of the business at the time of closure. The exceptions were David and Malcolm, who had both held managing director positions within their firms in the past and who were still involved in the business at the time of closure: David was a minority shareholder and Malcolm was a director and chief scientific officer. In David's case, it was actually he who ultimately made the decision to close the business. In Malcolm's case, he was an original founder, held a significant personal financial investment in the firm and was instrumental in assisting the new management with the administration process.

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[4] Myles' business failed 19 years prior to the interview taking place and an explanation of his inclusion in the study is provided in his vignette

The nature of business failure can take many forms including the discontinuity of ownership, bankruptcy, discontinuity of ownership due to solvency, and, discontinuity of ownership due to below threshold performance (Ucbasaran et al., 2013, p. 175). The closure circumstances of each firm in this study are best described as, "the cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the entrepreneur" (Ucbasaran et al., 2013, p. 175), combining both the economic and goal shortfall for the entrepreneur. While each firm in this study undoubtedly fell short of its owner's goals (McGrath, 1999) and can be comfortably classified as "business failures," the way in which the firm closures were executed, differed amongst cases. Five entrepreneurs placed their firms into voluntary liquidation (David, Geoff, Graham, Mark, Max); three entrepreneurs entered voluntary liquidation to facilitate a trade sale (Drew, Malcolm, Nick); two entrepreneurs faced involuntary liquidation followed by personal bankruptcy (Matthew, Sarah); and three entrepreneurs dissolved their businesses personally (Myles, Nancy, Sam).

Since their businesses had closed, eight entrepreneurs have either begun or are in the process of starting new businesses, at the time the interviews took place. Some entrepreneurs (Graham, Matthew, Max, Nick, Sam) are starting firms in the same or similar industries as the businesses that failed while 3 entrepreneurs (David, Geoff, Mark) have entered new industries. Of the 5 entrepreneurs who have not started new firms (Drew, Malcolm, Myles, Nancy, Sarah), only Sarah expressed a desire to, one day, own her own business again.

5.3 Vignettes of the Entrepreneurs' Narratives

The following section presents vignettes of the individual entrepreneurs. The aim of each vignette is to capture the character, plot and scene of each entrepreneur's narrative. This includes an insight into the entrepreneur's character, their background and the background of their business and also the context in which each business failed. These vignettes indicate the heterogeneity of business failure experiences and the impact of these experiences on the entrepreneurs.

5.3.1. David (Vegetable farm)

In the 1930s, David's grandfather bought a site and began growing vegetables. In the 1950s he acquired two more sites to increase production. His grandfather continued to manage two of the sites and David's father took over a third site, developing it and constructing new buildings and technology. Upon David's aunt's marriage, his grandfather gave one of the two remaining sites to her as a wedding present, which she also used to produce vegetables. As the grandfather became older, his site, the main site, became co-owned by the whole family, with 15 shareholders spread across three generations of the family.

David was one these shareholders and was involved in the family business from childhood. David earned pocket money by working on the vegetable farm from the age of ten. He went to university to study agricultural economics. On graduating, in 1984, he considered working in finance before returning home and becoming involved in the family business in 1986. Following his grandfather's illness in 1987, he became managing director of the centrally owned farm and managed it for 8 years, making a profit each year.

Eager to expand the business, David and his father simultaneously invested in a food production company, with David owning an 80% stake in the business. David eventually

took over that business working as managing director of both it and the centrally-owned farm unit for three years. During that time, David did not draw a salary at the food production unit. In 1994, after many disagreements with family members, David left the centrally-owned vegetable farm and worked full-time in the food production business. In the same year, he started an MBA, which forced him to spend some time away from the business. This resulted in a new-found determination to grow and improve his food production business, which David has been doing each year since.

While David focused his attention on the food production business, his cousin took over the centrally-owned vegetable unit in 1994, which lost money straight away and continued to lose money annually. Their grandfather died in 1997, and David's cousin continued to run the centrally-owned business. The business continued to lose money and from 2000, David made several attempts to intervene. In 2002, David, became completely frustrated by the constant losses. With the other shareholders unwilling to become involved, David called a shareholders' board meeting to force his cousin to address the losses in the business. This was a difficult decision considering the family had been growing vegetables at the site for 69 years, but David felt he had no other option. After initial resistance from his cousin, the unit was put into liquidation, some land assets sold for housing and other assets divided between the shareholders, with the intention to sell remaining assets over the next 10-20 years. While relations between David and his cousin were strained at the time of the closure, they have since been amended and David and his cousin are both attorneys of the family assets, on behalf of their respective families. Since 2002, David has focused solely on growing and developing his food production business.

5.3.2 Drew (Electronic manufacturing firm)

Drew is an electronic engineer with industry experience in both engineering and sales and marketing. In the early 1990s, Drew heard about a university-based project in a similar sector to what he had been working in, through a university friend (Malcolm, whose vignette is presented in 5.3.5). While Drew enjoyed the technology side of the spin-out, after three months he became frustrated with the lack of progress and decided to leave the project. Drew returned to industry and latterly, for almost 6 years, ran two UK sites of a large multinational electronic engineering company. In 2002 he completed an MBA and worked as a general manager in a large engineering firm.

In the meantime, the university-based project continued to develop and was spun out in 2004. After its second round of funding its main investor, a venture capitalist firm, invited Drew to provide some advice to the spin-out. At the same time, the CEO that had been appointed by the venture capitalist firm left. Drew was asked to become CEO of the spin-out to provide commercial expertise and to help raise its third round of funding. The core product of the spin out company was at the commercialization stage of its development, and the company faced financial constraints to bring it to market and to develop further products. Drew introduced greater efficiencies in the company's production and sales systems, but 60% of his time was spent preparing business plans, approaching possible investors and delivering funding pitches to raise finance. Despite a high level of interest in the company and its technology, by 2009 the investors did not have the same access to funds as they had in the past. Furthermore, the original funders had introduced a complex legal framework protecting their equity shares, leaving it very difficult for other firms to invest. This caused much angst and frustration for Drew.

The firm employed 4 full-time and one part-time staff, and Drew kept them informed of the process. For six months they continued to survive by raising finance from the venture capitalists, and by reducing employees' payment and wavering staff wages and expenses by 30%. The expectation was that staff would be reimbursed or awarded equity

once funding had been raised. Drew managed the finances of the firm and monitored cash flow on a daily basis, to identify how much time they had left.

When the last investor Drew had approached to invest in the spin-out confirmed that he was unable to invest, it confirmed that they were unable to raise further finance. This meant the only option available to Drew at this stage was to try arrange a trade sale. After going through exhaustive and unfruitful efforts to raise finance, Drew had to now begin the same process to identify a buyer for the company. Drew went through his existing contacts in the industry to try and identify who he could approach. He received many offers of interest which could have been promising, but they led to nothing. Moreover, there was evidence of nepotism in the industry, where it seemed to Drew that everybody knew what was going on. Drew was familiar with this nepotism, but was still embarrassed and frustrated to experience it first hand, when one day he received two offers of the same amount of money, from two separate companies.

Drew was forced to accept one of these offers. However, after further investigation and in consideration of the firm's complex legal framework, the buyer halved their offer from the original asking price. This was not enough money to repay the debts of the business and it forced Drew's firm into liquidation. While Drew was unhappy with how everything had turned out, he faced no other choice but to work as professionally as possible with the liquidators to wind up the business. He was grateful for the support of Malcolm and liaised with him frequently over financial details, as Malcolm had been responsible for the finance and management of the firm before Drew became CEO.   The liquidation process was still on-going almost a year after the business had folded. This frustrated Drew who was still negotiating with the liquidators, venture capitalist, the university and the original directors, to try to reach an agreement. The staff had not been reimbursed the salaries and expenses they had waivered, nor had they received equity stakes in the firm. Drew and the staff of the spin-out were all employed by the new owner, however this was not without its challenges for Drew, who now had a new boss and less autonomy than he had for a long time in his career.

5.3.3 Geoff (Publishing firm)

Geoff's background is in manufacturing, where he worked as a production manager for a textile firm for 10 years. During this time, Geoff was responsible for distribution, operations and logistics for almost ten years. In 1997, he left to set up a publishing company with his girlfriend, focusing on niche, cartoon publications aimed at the local subculture of comic artists and cartoonists. The company distributed to most major bookstores in the UK, including Waterstones, John Smith, WH Smiths and Borders. There was, at that time, a high demand for their products and their first two books became number one best sellers across the region.

In 1997, there were changes in the UK regulatory framework for publishing. Up to 1997, there was a fixed price book agreement called the "Net Book Agreement" in place, which imposed a fixed book price between publishers and booksellers. This set price included a 35% margin for the publisher, to cover the cost of printing, distribution, marketing and promotion. In 1997, the Restrictive Practices Court ruled that the Net Book Agreement was against public interest and ordered its dissolution. Its dissolution removed the 35% margin protection for publishers and reduced book prices for the public. This strengthened large bookstore chains and paved the way for large supermarket chains to sell at discounted prices.

Without the protection of the 35% margin, Geoff needed to expand the business and he tried a number of growth strategies. First, he took on more books, still focusing on niche productions. While their books sold well, because of the tighter margins it became increasingly difficult to make money. They also needed to sell far bigger print runs to achieve economies of scale. Second, they tried to expand into the e-book digital market. At the same time, Sony had produced the first electronic book and Geoff felt digitization was the future of books. While the internet was still underdeveloped, he felt anything that was printable and distributable would be online very soon. He invested much time,

effort and money in trying to branch into digital books. He had identified and recruited a company to digitise the books and had identified and engaged with many publishers. He had even negotiated a formal agreement with Harper Collins, who were willing to give them access to all their stock. While the market has since been proven, their expansion plans coincided with the end of the dot.com bubble. In 2000, Geoff spent 6 months trying to fund this development through equity investment, but at the time investors were sceptical of e-businesses, which fundamentally undermined Geoff's plans for the new operation.

Geoff experienced 3 years of failed attempts to raise finance to support the e-books idea. Frustrated with the lack of buy-in to his idea and the effort he had invested in negotiations, with publishers and investors, Geoff and his girlfriend ran out of money. They faced the harsh reality that the digital books idea was not going to happen and they decided they would have to close their publishing business. At the same time, one of their business advisors became Chief Executive Officer of an enterprise network in London. Assisting their decision to close and relieving some of their disappointment, their ex-business advisor invited Geoff and his girlfriend to move to London and become consultants for the enterprise network. In 2000, Geoff and his girlfriend took the consultancy positions and moved to London to start a new life. They married and Geoff was self-employed as an enterprise consultant for a number of years. At the time of interviewing, Geoff had recently started a new business in online education. He was enjoying the rewards of setting up a new business and excited at developing a technology similar to what had been rejected, over ten years previously.

5.3.4 Graham (Management consultancy)

Graham worked as a management consultant with two consultancy firms for ten years. In 1992, Graham left his job and set up his own management consultancy business, focused on strategy, innovation and change. In 1999, he began to specialise in sports

consulting, winning many contracts from sports bodies and organisations. He set up the business with the help of his wife, who also worked in the business from time to time. His first employee was a university graduate and he continued to grow the team, often recruiting colleagues from the companies he used to work for. During the years of the Celtic Tiger, Graham expanded into the Irish market and opened an office in Dublin. In Ireland, he worked with sporting bodies and large semi-state organisations and built up a £500,000 business. In the UK, his clients included a variety of public sector organisations.

While Graham was managing director of his business, he also had non-executive directors to advise him. The non-executive directors often implied the business was overly reliant on Graham, and encouraged him to recruit a successor. This is something which Graham admits he struggled to do. After 15 years, the business had 16 full-time employees and revenues of approximately £3 million. In addition to the office he opened in Ireland, he had two offices in the UK. Despite having large client contracts and a distinctive, customer-focused style that was well-received, the business was still not generating sufficient income. Furthermore, from 2007-2009 Graham attempted to launch an Asian subsidiary, to assist companies with expansion in the Far East. After investing £70,000 in the project, demand from small and medium sized companies to expand to Asia was low, and larger firms seemed to either already trade with the Far East, or have in-house resources to do so. Graham was forced to abandon the project. At that time, Graham also lost a contract worth £50,000. During the same year, Graham also spent £40,000 on unsuccessful recruitment. Together, these losses created significant problems for Graham, and he decided to change the business structure.

In 2008, Graham focused his attention on the UK. In 2009 he merged his business with a consultancy company based in London, which had contracts for sports clubs in the UK. The two businesses appeared to complement each other well. Together they were a 50-person consultancy with a turnover of £7 million. While their prospects seemed positive, their merger coincided with the economic downturn, which caused problems for other parts of Graham's business. Specifically, these included changes in the Irish economy

which meant a withdrawal of public sector funding and forced Graham to close his Irish division. Simultaneously, public sector clients in the UK also cancelled contracts. This had serious consequences for Graham's newly merged business. He sought external funding to keep the merger afloat, but the bank refused to support the consultancy business. His wife agreed to invest £30,000 to save the business, but this money quickly disappeared. With no access to further funding, Graham and his new business partners faced the challenge of having to completely rebuild the merged business from scratch. Graham considered his options and decided that at 62 he did not want to rebuild the merged business. He opted out of the merger and closed his business. Graham sought a winding up order in court, and the bank was informed. His bank account was frozen and Graham worked with the administrator to assist with the process of closing the business. Tired from all the stress of the previous two to three years, Graham reviewed his options. He decided to remain in consultancy, but wanted to return to front-line consultancy, what he was most passionate about and loved doing most. He also wanted to work on a much smaller scale than previously, and set up his new consultancy with his wife. At the time of interviewing, Graham was enjoying his new business, where he had much greater interaction with clients and no concerns about staff.

5.3.5 Malcolm (Electronic manufacturing)

Malcolm was an electronic engineer and university research fellow. In 2004, he became involved in a university-based project that was heavily funded by a local enterprise agency and a venture capitalist firm. The company spun out in 2006, and Malcolm was recruited as its technical director, to focus primarily on product development. As the other directors were still employed by the university, they adopted more part-time roles with the spin out. The CEO who had been appointed by the venture capital firm was also appointed on a part-time basis. This meant that Malcolm was the only full-time director of the company, from 2006-2010.

During this time, the part-time CEO was largely absent, and Malcolm became responsible for the administrative and financial management of the business. He was also responsible for managing the staff and their salaries. Having worked as an engineer throughout his life, Malcolm had no former business training or experience. Despite this lack of business acumen, Malcolm enjoyed the role and was keen to learn about managing and running a business. He was fundamentally proud of the project they were working on, its technological developments and the team of enthusiastic engineers.

In 2008, the company was approached by an Austrian firm who made an attractive offer for the spin-out. The investors decided not to accept the offer and instead wanted to keep the spin-out going in the hope of raising a higher sale price in the future. Their optimism implied a desire to remain involved and to continue supporting the spin-out. When entering a second round of funding in 2009, Malcolm and the team realised they were behind schedule with meeting their business plan goals. It now seemed that it would take a further 6-8 months to develop the technology and commercialise it. To help sustain the business, Malcolm began to draw a much lower salary with the intention of being repaid once they raised the next round of funding.

While the original investors had indicated a desire to continue supporting the spin-out business, the markets collapsed in 2008-2009 and their investment portfolios proved too large. The investors now had too many companies to support, and were unable to invest in the spin-out business. In the same year, the largely absent CEO resigned due to personal reasons. Drew, whose vignette was presented in 5.3.2, joined the company as CEO and Malcolm returned to his original position of Chief Technical Officer. With the addition of Drew, the team were optimistic about raising finance and bringing their technology to market. They made several approaches to different investment groups and while there was much interest, raising finance proved incredibly difficult. They kept the business afloat with the use of a loan note, through which they could raise equity. They hoped that as investors, they would be repaid once the business was sold. However, they were also aware that the terms of the original investors meant that the business would need to make a lot of money before the founders earned anything back.

Their attempts to raise finance failed and when they had exhausted all funding options, they decided to try to sell the business. The sale process and the process of identifying a potential buyer were fraught with challenges and took a long time to finalise. Drew had to first approach buyers, unofficially, to assess their interest in an acquisition. There were many complications regarding patents and the IPR. The university owned and licensed the company's IPR, which affected the sale price of the company. Throughout this time, and despite a limited response from industry, Malcolm remained optimistic and never lost sight of the strength of commercial potential of the technology.

In 2010, they were approached by a local engineering firm they had not been in touch with previously. This engineering firm made an offer for the spin-out that was far lower than the spin-out's value. The offer was also far lower than what the Austrian company had made two years previously, and had been rejected by the spin-out's investors. However, faced with no other option, the board accepted the local engineer's low offer for the spin-out. In 2010, the business was put into administration and bought out by the local engineering firm. Malcolm remained as an employee of the new business. At the time of interviewing, Malcolm was grateful to have a job, but he never received repayment for any of the debts accrued from the former business. He was pleased, however, that shortly after the buyout took place, they managed to sell £500,000 of equipment. This sale qualified the value of their technology, but still had no financial implications for Malcolm.

5.3.6 Mark (Wholesale industrial clothing)

Mark is an accountant by profession and worked for a large catering hotel group for a number of years. He was offered a promotion in London and spent some time between London and his home town before being approached by a family friend to join his business. The business specialised in industrial clothing and safety equipment, and in 1977, Mark bought a third of the company and became financial controller. Ten years

later the other two shareholders retired, and Mark became the managing director of the business.

For many years the business held many public sector contracts with local authorities and government departments in the UK and Europe. In 2006, three years towards the end, there was a drop in sales. Mark attributed this to greater competition, especially from Eastern European suppliers. Despite hiring a sales manager to allow Mark to focus on the administration, finance and management of the business, Mark was still responsible for 82% of the sales. This responsibility meant he was on the road, typically abroad, most weeks and often working evenings and weekends to keep up with the administrative side of the business. Mark was delighted when they won a large contract and expected the business to improve. Instead, the contract placed much greater pressure on the business as the client was over-demanding and the profit margin was small.

To help keep costs down, Mark did not draw a salary for two years. Instead, for personal expenses and to support his struggling company, he lived from savings and credit cards and borrowed against the strength of his pension. Mark was under a lot of pressure during this time and there were days when he dreaded getting out of bed. Eventually, in 2009, the strain took its toll on him and he decided to liquidate the business. He contacted his accountant who recommended a liquidator, and the business was placed in voluntary liquidation, a decision which brought both sadness and relief to Mark. While it was a sad end to 33 years in business, Mark was pleased to finally have a plan in place and was happy to assist the liquidator throughout the process.

One outstanding concern was his staff, some of whom had been with him for many, many years. He had always worried about what might happen to them if and when the business closed. Mark contacted a neighbouring company who also supplied industrial clothing and safety equipment. They agreed to meet many of Mark's outstanding orders and employ many of his staff. Once this had been arranged, Mark felt much better, as he did not want to see his staff without work. Mark also joined this same company for a short while after his own business was liquidated. This was a convenient transition, but

still quite demanding and not very financially rewarding. After one year, Mark suffered a heart attack from the stress and strain of the previous three years. His medical team advised he needed to change his lifestyle, rate of work and income model and Mark stopped working.

While his struggling business had been dealt with and resolved, at the time of interviewing, Mark faced the challenge of what to do next. He had accrued significant bank debts in the two years prior to his business closing and had used his pension fund to clear this bank debt. Clearing that debt removed a huge burden for him, but he was 62, without a pension, without savings and without income, making it impossible for him to retire. At the time of the interview, Mark's health had stabilised and he was thinking of returning to accountancy and establishing a small practice which he could run at a low cost, by himself, from his home.

6.4.7 Matthew (Confectionary firm)

Matthew is a qualified management accountant and worked as both a financial and management accountant for two large firms, when he qualified in the 1990s. However, he did not enjoy accountancy and began to work in sales and marketing which he preferred. In 1999 Matthew was travelling abroad with some friends and noticed the popularity of luxury chocolate brands overseas. At that time in the UK, there was little choice in luxury chocolate. Thorntons, the high street chocolate chain, was the most popular premium chocolate brand in the UK.

Matthew began to consider setting up a luxury chocolate brand in the UK. In 2001, he left his job and launched a luxury confectionary retail company with funding from his immediate and extended family. After two years, Matthew realised the challenges of retail, and focused instead on building a luxury confectionary brand which supplied retailers, businesses and wholesalers. Matthew was ambitious and the business grew each year, although not as much as what he thought they could. He aimed to increase

sales by making the brand more accessible producing a higher volume, reducing the price and targeting supermarkets.

At its peak, the business reached a turnover of between £1.5 and £2 million. It remained a loss making business for most of its existence until 2007, three years before its closure, where it made a sizeable profit. In 2008 Matthew invested heavily in capital expenditure and underwent massive expansion, opening a new packaging plant with plans to expand production and break into the corporate market and supermarkets. This expansion coincided with the economic downturn and the collapse of the corporate market. The business reported significant losses that year. Matthew negotiated terms of agreement with the bank and some of his suppliers, but was given an ultimatum by the bank to resolve his financial concerns by the end of 2010.

While the business made an operating profit in 2010, it was not enough for the banks. For two months over December and January, Matthew worked relentlessly to resolve the situation. However, the banks called in their debt, forcing Matthew and the board of directors to put the business into administration. The administrators arrived the following day and Matthew spent two weeks helping them with the administration process and hand-over. Given the popularity of Matthew's chocolate brand, the closure received significant publicity in the trade and general press. The brand was bought out of administration by a large UK based confectionary company, who redesigned the brand and continued production. Once the administration had been dealt with, Matthew realised the stress he had been under for the previous 18 months. The business employed many of Matthew's family and was built on investments by him, his family and extended family. Despite his family showing considerable support, Matthew still felt the pressure from it failing. To help cope with the situation, he attempted to critically assess what happened with the business and what role he and others played in the business' demise.

As soon as Matthew realised there was no way of saving the business, he began to think of what he could do next. Feeling guilty over the financial loss, Matthew set about trying

to "fix" things by starting another business. At the time of interviewing, Matthew admitted he would have preferred to start something new, but was focused on recreating an almost better version of what they had, as he had the experience and knowledge of that industry. At no point did Matthew consider getting a job and becoming an employee.

5.3.8 Max (Mechanical and industrial engineering firm)

Max obtained a PhD in physics in 1991 and was involved in university-based research projects. In 2005, acquiring IP and design rights to process monitoring solutions, he formed a business to manufacture and develop industrial process control equipment. During the first three years of business, he made losses as he tried to generate sales. Sales grew in the fourth year and the business made a profit. The beginning of the fifth year clashed with the banking crisis in 2008 and demand for big items fell, leaving the business under much financial pressure. To survive, Max went through a process of cutting costs in terms of introducing pay cuts and reducing staff. In the following years, confidence in the market grew, customers began investing more in capital expenditure and demand for his product increased. While cash flow remained tight, Max then faced a busy period of trying to keep up with the demand.

However, after the UK general election in 2010, a change in government introduced a change in how Her Majesty's Revenue and Customs (HMRC) negotiated with outstanding debt. In the past, Max had been able to negotiate terms of payment with HMRC that corresponded with the cash flow demands of his business. In 2010, there was no space for negotiation and HMRC called in their outstanding debt immediately. Despite trying to negotiate a repayment plan, Max was served with a court summons from the Sheriff's office, ordering him to pay all outstanding debts. With limited resources, Max was then faced with the dilemma of paying them and thus favouring

HMRC as a creditor above his other creditors, or not paying them and being taken to court.

Unsure of how to proceed and desperately resistant to losing his business, Max turned to his solicitor and accountant for advice. Selling the business would not have generated enough income to cover outstanding debts and after many meetings with senior financial consultants, Max was recommended to place the business into voluntary liquidation, sell the assets to a new company and start again. Reluctant to sever relations with his suppliers and customers, Max was advised to meet with them and inform them of changes to the status of the business and to renegotiate new credit terms. He also sought advice from some experienced business friends, who complemented and extended the advice he had received from his accountant and solicitor.

Max was anxious to regain control, maintain continuity and commence trading as quickly as possible. He agreed to take the accountant's advice and placed the business into voluntary liquidation. Once the process began, his accountant brought in a liquidator, who subsequently took charge of winding up the business and valuing the assets. The assets were worth very little as most of the intellectual property of the business lay with the staff and many of the fixed assets were no longer valuable. Yet, to avoid an auction and to move the process along quickly, Max made an above-sale offer for the assets, bought the obsolete stock as a lot and negotiated a payment plan with the liquidator that he could afford.

There had to be a complete break in trading between closing the first business down and starting the next. During this time, Max was working hard to assist the liquidator while also trying to set up the new business as there was much pressure to get it up and running as quickly as possible, to clear some of the debt. In a further effort to avoid having to raise fresh start-up capital, Max's new business received orders with down payments from the start of trading. This helped set up the new business, raise a deposit for new premises, and cover the cost of the liquidator and accountant.

At the time of interviewing, Max and his team had come out of the stressful period and were pleased with the way their new business was operating. The liquidation presented an opportunity to restructure, move premises and renegotiate terms of agreement with creditors. Managing sales and cash flow still presented challenges, but by keeping costs to a minimum he was managing it well enough. His vision for the new company was to build it up to a point of generating high income or else establish a critical ownership of the market and try to sell it. He had lost one member of staff, who preferred the stability of a larger business. Yet, for the most part, one year after starting the new business Max had managed to maintain most of the same customers and was making a profit.

5.3.9 Myles (Manufacturing board games)

Serious consideration was given to whether or not Myles' narrative should be included in this study. Myles's business had closed almost 20 years prior to the interview taking place. However, his admittance at not having discussed his business failure widely at the time, his obvious upset at recalling events of the closure, and the detail with which he recalled events, all validated the inclusion of his narrative in this study.

Prior to starting his business, Myles worked abroad in wholesale retail for five years. When he returned to the UK, he helped his father-in-law run a solid fuel business for 9 years. This involved the physical side of delivering and distributing coal, as well as managing and growing the business. Upon identifying an intense interest in football in the UK, Myles established a business, designing and manufacturing football board games. Myles developed many versions of the game, and negotiated licence agreements with major clubs in the UK including Arsenal F.C, Manchester United F.C., Liverpool F.C., Everton F.C., Celtic F.C. and Rangers F.C. The board games were distributed in all major supermarkets, newsagents and department stores across the UK including Debenhams, Asda, Tesco, and W.H. Smith.

The business was funded through bank loans and an overdraft, for which Myles had to guarantee his house and for which he always exercised great caution at not drawing down, for fear of jeopardising his family. After two years, the business began to struggle. Complications began when a customer delayed payment for a few weeks, placing extreme pressure on Myles' cash flow. At the same time, Myles was turned down for a bank loan, which he had been hoping would help resolve some of the financial pressure. Stressed and concerned about what he should do, Myles sought impartial advice, and asked for assistance from an enterprise network. He was referred to an independent accountancy firm, who confirmed the severity of his situation and recommended he make an urgent decision on the future of the business. With no funding options, a reluctance to draw down his overdraft for fear of losing his home, a product with obvious seasonality problems and having essentially run out of money; Myles withdrew the business' remaining bank balance, contacted a liquidator and closed the business.

The closure of the business and the period following this event were particularly challenging for Myles, especially in terms of picking his life up, continuing to support his family and finding a new job. He was also upset at having let people down, owing money to companies and thinking of the impact this might have on their employees. He did not talk about the closure of the business for 5 years afterwards. One outstanding disappointment for Myles from the experience was how the business never became profitable. What carried him through was the pride at having created something from scratch, as well as the respect and support from family members. In particular, his father-in-law, who had fought in the Second World War, and had praised Myles for his bravery at setting up his own business. Since the closure of business, Myles has been involved in enterprise networks and at the time of interviewing he continued to provide assistance to start-up businesses. In particular Myles's expertise lies in copyright and intellectual property protection. Myles has also been involved in managing and advising social enterprise businesses.

5.3.10 Nancy (Retail – book store)

Nancy is a chartered engineer, who had always wanted to own and run her own business and decided to leave her career and open an independent book store. She joined a start-your-business programme with the local enterprise development agency, where she underwent training in marketing, accounting and business planning. Later, she was assigned a business mentor through her local Chamber of Commerce. In 2008, Nancy opened her store, but shortly after, the recession began. During the recession, there were less people in the shopping area where her store was based, and those who were shopping, were spending far less. Within one year of opening, many of the stores around Nancy had closed.

Against this backdrop, Nancy's business struggled. Nine months after her business opened, Nancy focused all her attention on trying to make the business work, always hoping that the next month would be better. Trying to keep costs low, she had to let her staff go and stopped paying herself. Having been granted a bank loan to start the business, Nancy was later refused an additional bank loan to help fund the business. Instead, the business was being supported through Nancy's personal finances. This complicated the decision of whether or not to close the business, as there was financial slack to support the business through Nancy's properties and personal investments. As it became more difficult to break even, Nancy faced the reality that her business might never be in a position to make a profit and grow. While Nancy could have continued to finance the business for longer, her final decision was based on a desire to change her lifestyle. Nancy was very involved in the business and in many ways it took over her life as she tried to get it off the ground. She worked 7 days a week, by herself. She was exhausted and had lost weight. She was very aware of the toll it was taking on those around her, from her husband and her family members helping her out in the business, to friends buying books they did not need to help keep the business going.

When Nancy made the decision to close the business, she faced the legal and emotional demands of dissolving the business. These included notifying creditors, selling stock,

liaising with accountants and solicitors. Given the small size of her business, Nancy did this herself rather than using a liquidator. The whole process took about one year to complete. She was relieved to be able to repay most of her debt. Throughout this process, she was aided greatly by her husband and family, who encouraged her to complete the process as quickly as possible and to move on with life.

Once the business had been dissolved, Nancy worked for a period as a temporary office worker whilst she decided what to do. She was uncertain about how the experience would influence her engineering career and dreaded how people might respond to her going back after her business failing. She took temporary administrative contracts for one year, and then returned to her profession, joining a relatively small engineering consulting firm. She was pleased and relieved to receive a positive response towards previously owning her own business from her engineering colleagues. Within three months after joining the consultancy, she was given bigger projects and greater responsibility, including a three-month deployment to Australia. The time in Sydney allowed her physical and mental space to reflect on the previous year and the experience of closing her business. It also gave her a new-found appreciation for her engineering job, its security, salary and benefits – most of which she did not have when running her own business.

With the success of the Sydney project, Nancy's confidence continued to grow and at the time of interviewing, she continued to receive larger and more demanding projects. She attributed much of her new confidence to a new fearlessness, where she felt nothing in her new job could go as wrong as her business failing. Regaining her professional and financial position has allowed Nancy to repay those who supported her while she was running her business. While Nancy is hesitant about starting a business again, she would like to one day take on a directorial role within her field.

5.3.11 Nick (Recruitment consultancy)

Nick worked in the recruitment industry for over 20 years, and for 12 of those 20 years, he ran his own recruitment business. Nick's business was a good brand, well known, well run and well-staffed. Over the 8 years he was in business, he employed about 30 staff. The business specialised in supplying HR, law and accountancy positions. In 2008, as a result of the economic downturn, demand for recruitment in the industries he supplied began to decline. HR recruitment was one of the first markets to be affected by the downturn, with companies reducing the number of recruits. Accountancy recruitment had become very competitive, with many suppliers, while with the legal market, he had always struggled to attract candidates to the region of the UK where he was based. In 2008, for the first time, solicitors in his region were being made redundant. All of this implied Nick's business began to struggle and he considered how he could stabilise his business.

Rather than close the business, Nick decided to try selling or merging the business and began searching for a company to sell to or to merge with. Nick had previous dealings with a large, well-known holding company, and recognised they wanted to diversify. They were an attractive option for Nick, as they provided the potential of investing capital into the business, changing the infrastructure and providing expert financial advice. He was also impressed to find out that this holding company had previously acquired a catering recruitment business, which was in a similar position to Nick's business. With the holding company's support, the catering recruitment business was enjoying sustained success. Nick inferred from this, that the holding company had a track record of turning businesses around and would be a good partner for him to align his business with. His understanding from discussions with the holding company was that he would be left to run the business and develop it.

Later in 2008, Nick liquidated his business and the holding company bought his business out of liquidation. With new resources and the holding company's expertise, Nick expected to achieve a position of growth similar to the catering recruitment business.

The reality turned out far different for Nick. First, he had thought the holding company was a fast, dynamic, entrepreneurial firm, but in reality he found it more bureaucratic and institutional and difficult to be a part of. Instead of being left to run his division of the business with relative autonomy, there was far greater involvement from the central division in everything Nick did. Essentially, Nick became a middle manager, with little authority, autonomy or control.

This clash of cultures and expectations became apparent almost immediately when Nick joined the holding company. It generated much tension and disagreement between Nick and the holding company. The environment and situation eventually became too difficult for him to cope with and after 6 months he decided to leave. However, leaving the holding company was not so simple, and it took some time to work out the legal and administrative dealings, before he could leave. 12 months after he had left, there was no trace of his original business, as the ten staff that had joined the holding company from Nick's business, had also left.

Nick considered the disintegration of his business unit, post-sale, a business failure, as there was no trace of the business he had run for 12 years. While Nick was relieved the ordeal was over, it took him some time to recover from the experience and he spent some time reviewing his options. He never considered employment, but focused instead on what type of business he could start again. In 2009, he started a new recruitment business, specialising in education and supplying teachers to the Middle East. At the time of interviewing, the business was going well, yet Nick was still struggling financially and was regularly frustrated by the lack of support from his bank.

5.3.12 Sam (Games development)

Sam has been involved in the games industry in the UK for most of his life. He has worked with a number of leading companies and has held a variety of positions, including production, logistics, finance, operations and project management. In 2006, the business in which Sam was working went into administration. Sam and all the staff were made redundant, without receiving salaries that were due or redundancy pay. Despite these challenges Sam, with two of his colleagues, started their own games development business later that month. Sam became CEO of the new business and his business partners became technology and art directors. With no experience of setting up a business, Sam worked with the local enterprise agency to help establish the routines, structures and processes of the business. Within two months of having been laid off, they had started the business, found premises, signed contracts and employed 20 staff.

Sam's business won many contracts and supplied games to big console providers. The business never accrued debt and never took any investment. It was funded entirely through contracts they won. Over five years it generated a turnover of £7 million and employed 120 people. In 2009, two years prior to the business closing, there was a change in the market. Demand for bigger cost games, such as those Sam's business developed, decreased and interest grew in smaller games that were available through social networking sites, on mobile phones and on hand held devices. As a result, the games console providers who were Sam's customers, became more risk averse and would only invest in the largest projects that could generate more than $200 million in revenue over their lifetime.

With the games console providers withdrawing interest in Sam's products, he was forced to make half of their staff redundant. At this stage, the directors considered closing the business but were reluctant to give it all up. Instead they decided to invest their existing £500,000 of profit in developing their own products, with the aim of selling direct to the consumer. Rather than relying on major companies such as Sony, this could give Sam's business greater freedom and flexibility, and potentially generate greater revenue. While

their own games generated a certain amount of income, they struggled to get them to market quickly enough and failed to generate a significant level of sales. In addition to the challenge of promoting their own games, half way through 2010 Sam's team approached the end of their last major project and failed to win any further contracts. At the same time, other companies in the same industry, were closing down and Sam and his colleagues faced the realisation that without any more new projects they would have to close the following year.

With Sam's previous experience of redundancy, without receiving the payments he was due, Sam and his co-directors were adamant not to let that happen with their staff. They wanted to ensure they paid everybody what they were due and would leave no outstanding debts. To help identify the point at which they would have to close, Sam updated cash flow forecasts twice a day, for two months. He consistently calculated all the staff costs, if they had to make their staff redundant on each day and he identified a cut-off point at which they would not be able to cover their costs, if they did not receive any more income. That day came in April 2010, and they made the final decision to close. Sam contacted many companies in the industry, informing them of their closure. He enquired if they needed staff and managed to help many staff find new jobs. While Sam was "gutted" at having to close the business, the decision was made easier by the positive feedback they received from the staff and industry, about the way in which they handled the closure.

At the time of interviewing in 2010, the business had been closed for four months, and Sam was annoyed about having to still deal with the administrative process of closing a business. In particular he was frustrated by suppliers, such as insurance companies, whose systems failed to acknowledge the business had closed and continued to seek payment. He faced similar challenges with the bank and HMRC. Despite having no immediate plans at the time of closure, Sam had quickly formed a new consultancy firm and was working on a project with another games company. His plans for the future were uncertain, but he had a number of ideas for new businesses, in the games industry that he was considering.

5.3.13 Sarah (Retail – ladies boutique)

Sarah qualified as an account and finance manager at the age of 21. After working in finance for 8 years she became a finance manager and was responsible for a team of 18 staff. Despite her success as an accountant, Sarah wished to have her own business. After considering a number of business ideas, Sarah decided to open a specialised designer ladies' boutique, combining high end designer with excellent customer service, creating a modern shopping experience in a nice environment. This idea came from her own personal experience of not being able to find the kind of high end items she wanted, her frustration with poor customer service, and her dislike of high street stores. After one stressful day at work, Sarah went for a drink with a colleague and both realised they shared hopes to open the same sort of business. Both left their positions and founded the business in 2005.

While business was slow in the beginning, they engaged more with PR, received greater media attention and presence in the national press, and the business became well known. Demand for their product and service grew year on year, with the business growing at 170% in its peak. In 2008 they opened a second store in a neighbouring city. The second business began trading well. There was a successful launch with many events and they could build on the success and recognition of the brand. However, Sarah began to notice a slower growth pattern than with their first store. First, the opening of the second store coincided with the economic downturn, and second, there were different buying behaviours, different dynamics and a different type of customer in the city where the second store was based, which challenged their business model.

At the same time, construction works began beside the first store and footfall on the street dropped by 40%. With the profit-making store now also struggling for cash, it became increasingly difficult to meet their costs. Sarah changed strategy and started cutting costs. This meant reducing their marketing budget (which was difficult as they

tried to promote a new store), negotiating with landlords, and entering rigorous discussions with their bank. While on-line sales were increasing, they lacked the capital to develop this further. Amid attempts to keep the business going, they faced a daily fear of trading insolvently. To avoid that occurring, they sought and received advice from fellow business owners and a youth enterprise development agency about how to manage the situation.

Despite being under pressure, they maintained to pay staff and creditors. However when a potential investment agreement fell through, the bank changed their mind on a capital repayment loan and called in their debt. The business ran out of cash and Sarah had no other choice but to place the business into administration. While heartbroken and exhausted over everything that had happened, Sarah spent time assisting the administrators with the process. At one point, she and her business partner considered buying the business back from the administrators, however this fell through and the brand was bought out of administration by a large well-known retailer. As Sarah and her business partner had signed personal guarantees for their bank loan, the bank called in the personal guarantee. Two weeks after the business was closed Sarah and her business partner lost their homes. After this devastating blow, Sarah moved to the United States, to take some time out, and her business partner moved to Australia. At the time of interviewing, Sarah was still recovering and was unsure as to what she wanted to do. She wanted to start another business but as yet had no idea what in.

5.4 Summary

In this chapter, I introduced the findings of the within case analysis and presented the profiles and vignettes of the 13 entrepreneurs who are the focus of this study. I identify the main themes and stories that emerged from the entrepreneurs' narratives, including the background of the entrepreneur and their business. I also present the context in which each business failed and indicate what the entrepreneur is doing now. The aim

was to convey the scope and variety of business failure. While the nature of closure differed for each case study, the extent to which each entrepreneur attempted to avoid the closure was similar. As was the entrepreneurs' experience of the business failure process, their thoughts of the process, their stress and upset. For the most part, the entrepreneurs recovered from the experience, either continuing their careers or starting new businesses. Having introduced the participant entrepreneurs, I now present findings from the second-order and cross-case analyses, which assessed (a) how entrepreneurs make sense of business failure, and (b) how the process of business failure unfolds for the entrepreneur. Chapter 6 addresses the interplay of sensemaking, emotions and coping from business failure, while Chapter 7 outlines the way in which these variables behave throughout the failure process.

Chapter 6 Making Sense of Business Failure

6.1 Introduction

Having presented an overview of the within-case analyses and introduced the individual entrepreneurs participating in this study, I now address the first set of research questions that were derived in Chapter 2, that ask "How does sensemaking occur after business failure?" This chapter outlines the way in which I conducted cross-case analyses to address these questions. The chapter offers theoretically, empirically grounded insights from the entrepreneurs' narratives to expand theorising on sensemaking from failure to elucidate the emotions, thoughts, and behaviours of entrepreneurs as they attempt to make sense of their business failure experiences. I begin the chapter by outlining the way in which the cross-case analysis was conducted. I present the emotional landscape of entrepreneurial failures and outline the emotional content of entrepreneurs' narratives. I show how second order analysis revealed how these different emotional states reflect different efforts to make sense of business failure. Lastly I consider the relationship between how entrepreneurs coped with business failure and their sensemaking process.

6.2 Cross-Case Analysis of Entrepreneurs' Narratives

In Chapter 5, I describe how I conducted first-order analysis of the entrepreneurs' narrative accounts and sources of secondary data. This process identified the main dimensions of the business failure experience as: Internal (emotions, cognitions, sensemaking), Behavioural (learning/ sensemaking, coping), Support (personal, non-organisational professional, organisational professional), and Challenges (social, financial, environmental, competitive). The next stage was to address the first set of research questions that were derived in Chapter 2. These questions ask*: (a) How do entrepreneurs respond to business failure? (b) How do entrepreneurs make sense of*

business failure?   (c) How do emotions influence the sensemaking process, after business failure? (d) How do coping mechanisms influence the sensemaking process, after business failure?

To answer these questions I conducted both cross-case and second-level analysis to assess each data entry, for each construct, for each entrepreneur. This involved assessing data using an approach similar to content analysis (Weber, 1989). Based on the intensity and quantity of each piece of data, each construct and dimension of the business failure experience was ranked as high (H), moderate (M), or low (L) (Marino, Castaldi, & Dollinger, 1989; Weber, 1985; Zacharakis et al., 1999). Data included transcripts, secondary and supporting sources of information, field notes and observations. Each piece of data was assessed independently. For example, the transcripts were assessed first. After this, the field notes and observations were searched for additional and supporting data on body language, speech pattern, tone of voice and facial expressions. These additional sources of data were assessed independently, and typically complemented what was recorded in the transcripts. A final assessment for each construct was made based on the average number of high (H), moderate (M) or low (Low) assessments, for the transcripts, secondary data, field notes and observations, for each construct. Appendix D presents the guidelines I designed and adhered to in conducting these assessments. To organise these assessments and allow comparison across cases I created a detailed matrix of assessments for each construct for each entrepreneur. This is included as Appendix E.

6.3 Emotional Responses to Business Failure

Taking these assessments, I begin this chapter by addressing research question 1(a): *How do entrepreneurs respond to business failure?* To answer this, I followed an approach similar to Haynie and Shepherd (2011) and explored variance in the emotional responses to business failure. This involved adopting a cross-case analysis to examine

the 13 narratives, based on their emotional content and searching for emotional states. An emotional state refers to an individual's "reaction to specific encounters with the environment, which comes and goes depending on particular conditions" (Lazarus, 1991, p. 47). Emotional states include combinations of negative and positive emotions expressed in narratives (Watson & Clark, 1984; Zevon & Tellegen, 1982). In assessing the levels of negative and positive emotions, I defined negative emotions as "the extent to which a person reports feeling upset or unpleasantly aroused" (Watson & Tellegen, 1985, p. 221). Negative emotions were portrayed in the feelings of regret, anger, disappointment, frustration, or loneliness which the entrepreneurs (a) expressed when describing events, exchanges, and transactions; and (b) indicated through language, pace of speech, tone of voice, facial expressions and body posture. Negative emotions were assessed as high if the entrepreneurs articulated the particular emotion, gave many examples, and used descriptive and intensive language. Negative emotions were assessed as low if the entrepreneur did not mention any negative emotion specifically, if their language was passive and the negative emotions were more implied than mentioned directly. Negative emotions were assessed as moderate when the entrepreneurs' narratives contained combinations of high and low examples, when the events they described were notable, but they might not have reacted strongly.

Positive emotions were defined as "the extent to which a person avows a zest for life" (Watson & Tellegen, 1985, p. 221). Positive emotions were revealed through the underlying feelings of pride, happiness, hope, excitement, achievement, confidence, and enthusiasm which entrepreneurs (a) expressed when describing events, activities, and exchanges, and (b) indicated through use of language, pace of speech, tone of voice, facial expressions and body posture. Data were assessed as high when the entrepreneurs identified and mentioned specific positive emotions, showed extreme reactions by the event they were discussing and used descriptive and intense language. Data were assessed as low if the entrepreneur did not explicitly mention or identify a positive emotion, if their language was passive and if they did not seem affected by the event they were describing. Data were assessed as moderate when the entrepreneurs'

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narratives displayed combinations of high and low examples, when the events they were describing seemed notable, but did not trigger an extreme reaction.

In contrast to existing research on business failure, which assumes little heterogeneity in the response to business failure (Shepherd, 2003; Shepherd, 2009; Shepherd, Wiklund, et al., 2009), but similar to what might be expected in grief and loss literature Machin & Spall., 2004; Humphrey & Zimpfer, 2007; Archer, 1999), the data revealed great variation in how business failure affected entrepreneurs. The data identified five different emotional states, or responses, to business failure among this cohort of 13 entrepreneurs. These five different emotional responses, or emotional states, to business failure, were grouped and labeled as follows: the 'Feeling Good', the 'Now Feeling Good', the 'Suffering', the 'Delayed Suffering', and the 'Middle-of-the-Road' group. The entrepreneurs and their groupings are outlined in Figure 2, and an explanation of how I arrived at this classification framework is discussed below.

The first group of entrepreneurs is labeled the 'Feel Good' group. The two entrepreneurs in this group are given names that begin with the letter G: Graham and Geoff. Both Graham and Geoff's narratives reported doing well after business failure, with low negative and high positive emotions. These entrepreneurs' emotional states were consistent across time, throughout their narratives. For example, when describing his feelings, Graham remarked *"I'm obviously disappointed with what's happened. I'm not telling the story of making millions. In fact, it's my lost million, but I don't find myself getting upset about that"* (low negative emotion) and continued with *"You're facing somebody who's actually quite happy. I am very proud of what we achieved, but the bottom line more importantly, I am very proud of what we achieved for our clients"* (high positive emotion).

Figure 2 Entrepreneurial Emotional States Following Business Failure

Negative Emotions

	High	Moderate	Low

Low

Suffering
Sarah
Sam
~~Nancy~~
~~Nick~~

Delayed
~~Suffering~~
~~David~~
~~Drew~~

Positive Emotions

Delayed Suffering
David
Drew

Moderate

Middle-of-the-Road
Mark
Matthew
Martin
Malcolm
Max

Feeling Good
Graham
Geoff

High

Now Feeling Good
Nancy
Nick
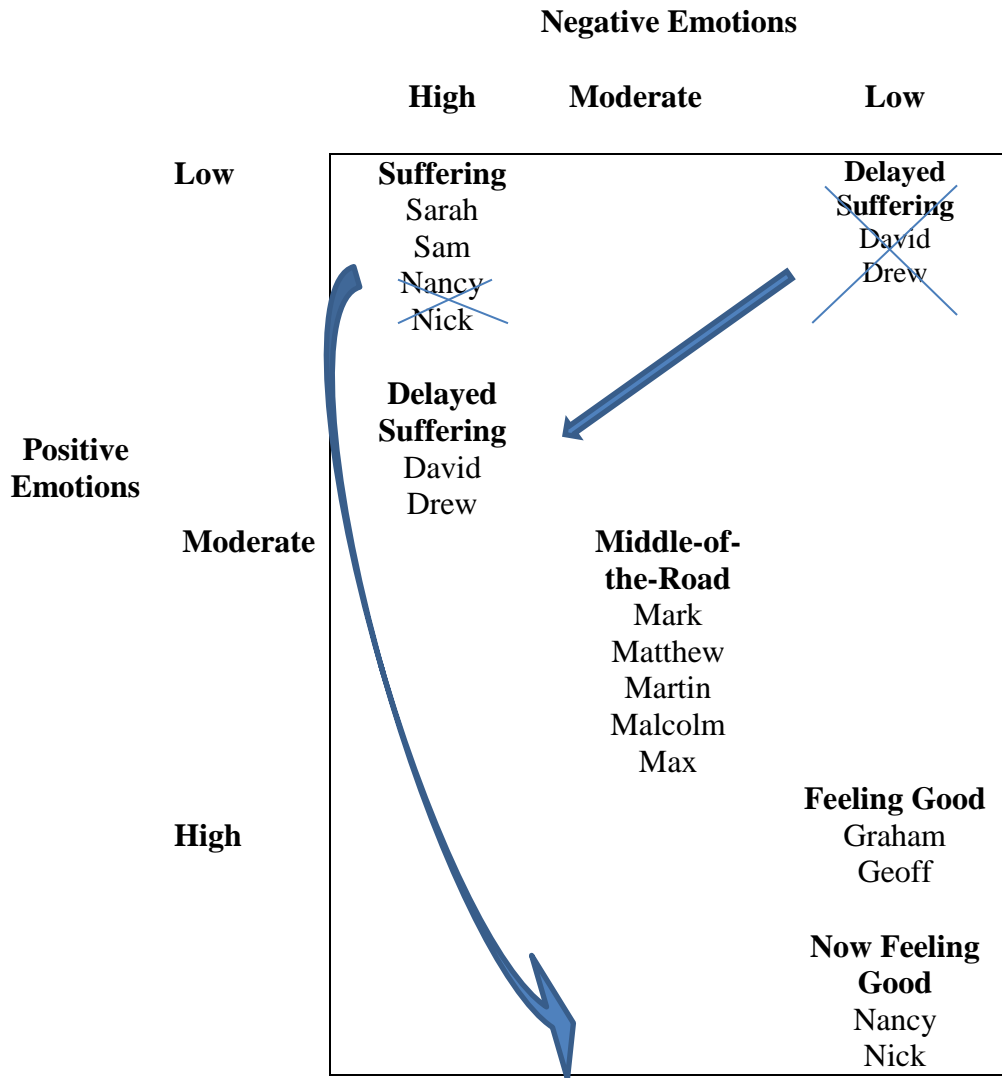
The second group of entrepreneurs is labeled the 'Now Feel Good' group. The two entrepreneurs in this group were given fictitious names that begin with the letter N: Nancy and Nick. Their narratives showed low levels of negative emotions and high levels of positive emotions. However, in contrast to the 'Feel Good' group, Nancy and Nick's narratives proved more dynamic. Their narratives reported high negative emotions and low positive emotions around the time of the failure, but reported a change to low negative and high positive emotions as time passed, after the business failure. Because of this change, Nancy and Nick were labeled as the 'Now Feel Good' group. For example, Nancy's narrative at the time of business failure told of high negative emotions *"You kind of have [...] an embarrassing grief about it that, you know, it's not a very nice feeling really. And you have a lot of regret and a lot of guilt about it"* and low positive emotions *"People thought that if I had not tried this, I would have always regretted it, so, I had to take some solace in the fact that I gave it a go."*

This contrasts with Nancy's later feelings of low negative emotions and niggling doubts about what people think—e.g., *"It's hard to know what people think of it, externally. I mean, I know what my loved ones think of it, but people that know you generally, whether I should be embarrassed about it"*—which are beside accounts of high positive emotions of pride and self-fulfillment—e.g., *"All I can say is that, I'd rather be someone who did it than, someone that just talks a good game and then never tries these things in their life."* Elsewhere she described that she *"Couldn't really be happier or ask for more."* This represented a substantial change in emotional state from one extreme to the other on both dimensions (i.e., positive and negative emotions).

The third group of entrepreneurs is referred to as the 'Suffering' group. The two entrepreneurs in this group were given names beginning with the letter S: Sam and Sarah. Their narratives reported "not doing well" (Haynie & Shepherd, 2009) and had high negative emotions and low positive emotions. For example, when her business failed Sara tried to make light of the fact that she was facing bankruptcy and *Tweeted "[My business partner] and I are drinking large glasses of wine to celebrate the fact that we're worth way much more dead"* while later she described how *"It was very*

emotional; it was horrible. There was lot of, just pain" (high negative emotion). She also explained how the closing of her business left her *"Grateful to be out of it to an extent, [as] you've lived with that fear of losing everything for four or five years, the whole time of having a business"* (low positive emotion).

The fourth group to emerge from the data is the 'Delayed Suffering' group. The two entrepreneurs in this group were given names beginning with the letter D: David and Drew. The emotional states of the Delayed Suffering groups' narratives were more dynamic than the Suffering group. David and Drew's narratives reported low negative emotions and low positive emotions around the time of the failure, but showed high negative emotions well after the failure event—at the time of the interview. For example, when referring to the period around the time of the failure, Drew seems slightly despondent when he says *"We were bought over by another company who offered to keep our employment going, but at this stage, I didn't know whether I wanted to work for them."* However, in reference to the stresses he faced, well after the failure event, Drew is visibly annoyed, frustrated and stressed by the liquidation experience. He resents how *"Every day it drags on—the liquidator spends more and more of the money, so there's less and less. Their focus seems to be on trying to find things that you did wrong rather than just get[ting] the process over and done with."* He elaborates that a significant worry for him is that *"You can be looking for a job, and then suddenly, you get this bit of paper from the [authorities] telling you [that] you can't be a company director. So that, the whole vagueness and uncertainty of it…!"* He lets this sentence hang, before sighing and shaking his head.

The fifth and last group of entrepreneurs to emerge from this study is referred to as the 'Middle-of-the-Road' group. Entrepreneurs in this group showed moderate assessments of both positive and negative emotions over the failure experience. There were five entrepreneurs whose narratives had moderate levels of negative and positive emotions and they were given fictitious names that begin with the letter M: Mark, Matthew, Martin, Malcolm, and Max. When building theory from case study material, contrasting outcomes, or extreme cases, are more welcome than moderate cases (Eisenhardt, 1989;

Yin, 2003a; Yin, 2003b). These five moderate cases were eliminated from this chapter (they reappear in Chapter 7) and I focused instead on groups of entrepreneurs that showed greater contrast in levels of negative and positive emotions.

Table 6 presents supporting material for these classifications of Feeling Good, Now Feeling Good, Suffering and Delayed Suffering. It identifies two time scales that emerged in the analysis of emotional states, "Around the Failure Event" and "After the Failure Event". Selected quotations are chosen from interview transcripts, field notes, press releases and Twitter, that exemplify the entrepreneurs' emotional states of low and high negative and positive emotions at both of these timescales. The Feeling Good group, which is consistent over time, shows examples of low negative emotions and high positive emotions for both time scales for Graham and Geoff. The Now Feeling Good group begins with high negative emotions and low positive emotions for Nancy and Nick around the failure event, yet after the failure event these change to low negative emotions and high positive emotions. Quotations from the Suffering group show how Sam and Sarah experienced high negative emotions and low positive emotions both around and after the failure event. Lastly, David and Drew, the Delayed Suffering group, experienced an increase in negative emotions after the failure event, while positive emotions remained low both around the failure event and after it.

Table 6 Emotional States Around and After Failure Event

	Around the Failure Event		After the Failure Event	
	Negative Emotions	**Positive Emotions**	**Negative Emotions**	**Positive Emotions**
Feeling Good	*Low*	*Moderate-High*	*Low*	*High*
Graham	Low: As the business closed and Graham considered his future, he admits life could have been worse *"One of my colleagues said, you know, I want to become an associate. We kind of talked it through and thought, that's actually quite a good idea, so you know I was able to, to move on. And so I never felt in the depths of despair."*	Moderate-High: *"We managed to gather in virtually all our debtors, apart from one, and you know, that was a major achievement so we wound up paying the creditors, something."*	Moderate-Low: Graham presents a largely positive account of business failure and when asked to consider any outstanding negative feelings he takes a moment to think before replying tentatively *"I guess there's this element of, a fear of stigma?"*	Moderate-High: *"You're facing somebody who's actually quite happy. I am a leader, and hopefully I've led the process of administration (chuckles)."* And elsewhere on Twitter later that year exclaims how with new contracts ahead, he is looking forward to the new year.
Geoff	Moderate-Low: Geoff recalls as "difficult" the realization that efforts to save the business were not going to happen *"Thinking that you were right, and [efforts to save the business] are going to happen. When it became apparent that they weren't, it's difficult."*	Moderate: *"I've got a really nice photo of us all sitting in the garden that day the business closed, with a bottle of champagne, and it was a beautiful sunny day, I remember gobbling champagne thinking 'Phew! We don't have to worry about this anymore.'"* He leans back in his chair and seems more relaxed. His mood lifts and he jokes and laughs as he remembers.	Moderate-Low: Despite having lead a successful career and set up another company, when asked if he still thought of the business Geoff replies with an air of guilt *"Oh yeah, **all** the time. Just thinking, What if? What if we'd done this? What if we'd done that?"*	High: *"There's still a sense of pride that you've produced something that you sold, an awful lot of!"* He smiles as he says this. 10 years later he is still proud of their achievements.
Now Feeling Good	*High*	*Low*	*Low*	*High*
Nancy	High: *"I was just really upset. At that time, I was still very, raw about it, and you kind of have this, this instinct to, kind of an embarrassing grief about it that, you know, it's not a very nice feeling really. And you have a lot of regret and a lot of guilt about it."*	Low: *"People thought that if I had not tried this I would have always regretted, it, so, I had to take some solace in the fact that I gave it a go."*	Low: When reflecting on the experience as a whole, the only outstanding negativity Nancy expresses is towards the bank *"I do think that they [the bank] were just incredibly quick to just give us the money to begin with. Maybe they could have added some value too to the business plan, and then, you know, they were not very supportive at all."*	High: *"I'm proud of myself, do you know what I mean? Like I just think, it's good that I gave it a go. I learned from it, I came out the other end of it. All I can say is that, I'd rather be someone who did it than, someone, that just talks a good game and then never tries these things in their life."*
Nick	High: *"I was disappointed that we chose the wrong people. It left a bad taste in our mouth at the end because of the way that they, they dealt with the whole thing. There were times it got very stressful, and very, very unpleasant."* He says with gritted teeth *"It was a traumatic experience and in the end it's hard to forget."*	Low: *"The first feeling was one of relief, because it had been so torturous from about, November, mid-November through to mid-January."* Looking at the positive side he says *"I think it was quite fortunate that it didn't turn me into a basket case"*. He smiles and gives a nervous laugh.	Low: *"There wasn't really anything worked out that great about it. I am disappointed by it all."* Nick looks slightly embarrassed as he describes how the bank refused to extend credit for his new business, saying *"This kind of thing does nothing for your confidence and leaves it quite stressful."*	High: Throughout the interview Nick was eager to discuss his *"rebirth."* He is proud of the way he has re-invented himself saying it is a *"liberating time"* and he enjoys *"Doing things in new and different way, in a new industry."*

	Around the Failure Event	After the Failure Event	Around the Failure Event	After the Failure Event
	Negative Emotions	Positive Emotions	Negative Emotions	Positive Emotions
Suffering	*Moderate-High*	*Low*	*High*	*Low*
Sam	Moderate: Scottish Star, April, 2011: "Chief executive Sam said he "had been left with no alternative" but to pull the plug. He added *"Making all the employees redundant is genuinely heart breaking."*	Low: Sam describes the closure with little positivity, yet indirectly refers to the relief he felt once they decided to close *"I got stressed, yeah, actually, when we made the discussion to close the company down, that's when the stress levels were reduced."*	High: *"All sorts of things you set up when you're in a company. Trying to close them down, people just ignore you. Sometimes I just shudder at how these people are; they're the bain of my life!"* He focus on this for a while and says *"GOD!!! You can tell I get frustrated with them!"* He sounds totally exasperated, puts his hands up to his face and shakes his head and a moment later he throws his eyes to heaven and says *"Grrrrrr!!!"*	Low: He speaks proudly about his staff. *"We treated people well. Actually, we were the second [company in our industry] to get the Investors in People accreditation, which I'm very proud of."*
Sarah	High: Newspaper article, June 2010, where Sarah is quoted saying how sad she is that the business has closed.	Low: Recalling how the staff helped out she says *"It was very emotional, it was horrible but, ehm, then the nicest thing was that the staff were very supportive."* And *"So even the staff knowing that that was business potentially done and, they'd lost their jobs and it was going down, they were still doing anything they could to help."*	High: *"It's almost as if, it's hard to describe it's almost like, it's almost like losing, I've not had any children myself but must be like losing a family or losing, because you don't just loose, it's your, life, you're doing it every day so."*	Low: Sarah speaks steadily and seriously throughout the interview. Where there are signs of positive emotions they are associated with how well the business did in its early years. There are few positive emotions evident in her narrative of life after the business. She infers contentment that *"I don't regret starting it or doing it and I know we did what we could to make it, but I don't have any regrets."*
Delayed Suffering	*Low*	*Low*	*Moderate-High*	*Low*
David	Low: David was disappointed at the lack of innovation within his family *"There was no appetite amongst the family to invest in another business, to branch out, to lock in the market."* He became impatient with poor management and *"Three generations of cousins and uncles and aunts and everybody pulling my strings."* He made the final decision to close the business as *"I had enough, of all this nonsense."*	Low: While the decision to close was difficult, it also brought some relief *"It was a conclusion, ehm, because it, lanced the boil, stopped the rot and allowed us to move on. I think everybody was glad it was over."*	Moderate-High: David reflects with sadness *"Families do so much damage to each other."* He explains while the business closed many years earlier there is still *"The emotional context of well, we've been in business here and it's what we know how to do."* David admits he can now be deeply *"defensive"* and has significant *"trust issues."* He describes how events with his family, bank and advisors have led him to believe *"I don't want to be beholden to anybody, so they can sod off."*	Low: Speaking about relations with his family now, David says *"Probably it's easier to talk to each other now, than it was before. We can almost ignore it now."*
Drew	Low: He was frustrated at the investment company because they *"Had tied, everything down in fine detail with all the investment agreements and things* (sniff)*"* When they did find a buyer *"The actual amount of money that was on the table halved* (sniff)*."* He pauses after saying this to let that point sink in. Every time he seems annoyed he sniffs in disdain.	Low: *"Very early in the process we knew that we had, secured employment. It was, never as bleak as it could be."*	Moderate-High: He criticizes the process of closing the business as a *"Slow and unyielding process"* and complains *"We've put the company into liquidation, July 2010, and the process still isn't finished. Every day it drags on—the liquidator spends more and more of the money, so there's less and less. Their focus seems to be on trying to find things that you did wrong rather than just getting the process over and done with."*	Low: *"It's, you know, the sad geek inside me that quite enjoys the technological challenge, so I don't regret it from that side of things."* He sounds more positive saying this. He uses the term *"geek"* but smiles as he says it.

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6.4 Making Sense of Business Failure

Having established variance in emotional responses to business failure, I now consider Research Question 1(b), which asks: *How do entrepreneurs make sense of business failure?* Here I referred back to the entrepreneurial narratives to analyse the data entries for sensemaking and learning (Brown et al., 2008; MacLean, Harvey & Chia, 2012). Making sense of business failure was defined as "the sense that one is acquiring, and can apply, knowledge and skills" (Spreitzer, Sutcliffe, Dutton, Sonenshein, & Grant, 2005, p. 538) from their failure experiences. Consistent with a sensemaking perspective, this definition emphasizes individuals' subjective interpretation of learning (Huy, 1999; Kim, 1993; Shepherd, Patzelt, & Wolfe, 2011; Weick, 1979). I coded "making sense of failure" based on how the entrepreneurs seemed to cognitively process their experiences (Brown et al., 2008), in addition to what they learned about themselves, business, the environment, small business management, and the nature and management of relationships (Cope, 2005) and how this changed their lives post failure. I assessed as 'high' entrepreneurs who discussed sensemaking across many of the dimensions detailed above and have changed their views, practices and perspectives as a result of the failure experience. I assessed as 'low' those narratives where sensemaking was limited to one dimension of the sensemaking process, where entrepreneurs claimed 'Yes, I have learned' but could not indicate what they have learned or how they have changed as a result, nor showed cognitive signs of scanning and interpretation. When narratives contained combinations of high and low assessments of sensemaking, they were assessed as moderate.

I compared the group who expressed lowest levels of sensemaking (Suffering) with the group that expressed the highest levels of sensemaking (Now Feeling Good). When analysing the sensemaking process of the Now Feeling Good group, the analysis revealed that embedded within their narratives of sensemaking, in the way the entrepreneurs scanned and interpreted their experiences (Daft & Weick, 1984; Shepherd, 2003, 2009), was a high deployment of cognitive strategies. These cognitive strategies included examples of metacognition, analogical thinking and cognitive complexity. Metacognition refers to "one's knowledge concerning one's

own cognitive processes or anything related to them" (Flavell, 1979, p. 232) and describes the awareness, control, and process of "thinking about thinking." Individuals with greater metacognitive skills are thought to learn more as they consciously observe their development and adjust thinking when problems arise (Ford, Smith, Weissbein, Gully, & Salas, 1998, p. 220). Analogical thinking (Hill & Levenhagen, 1995; Holyoak, 1985; Loewenstein, Thompson, & Gentner, 1999) refers to the process of comparing between cases and focusing more on relational similarities than superficial differences. This process allows one to separate relational knowledge and transfer it from one case or experience to the next (Loewenstein et al., 1999). And, cognitive complexity is defined as "the number of independent dimensions-worth of concepts the individual brings to bear in describing a particular domain of phenomena" (Scott, 1962, p. 405). Individuals with a greater ability to perceive complex differences in the environment are better able to "assimilate contradictory cues" (Larson & Rowland, 1974, p. 38) than those who have more black-and-white perceptions of their environment (Bird, 1988; Larson & Rowland, 1974; Shackley, Wynne, & Waterton, 1996).

Table 7 presents examples of metacognition, analogical thinking and complex thinking for Nick and Nancy (Now Feeling Good group). For example, Nick (Now Feeling Good) used an analogical thinking approach in describing how uncertain his future was when his business closed. Rather than explicitly describing the lack of control and uncertainty he felt, which may have been difficult to articulate, he made sense of this experience by relating and comparing business failure to a similar event in the past (i.e., when he left employment to start the business). Comparing experiences in this way, Nick could transfer knowledge from one context to another and explain why he felt and reacted differently (Hill & Levenhagen, 1995; Holyoak, 1985; Loewenstein et al., 1999)

> "*When I first set up my business, in what is now, 14 years ago, I obviously had a plan. So that the day that I left my employer, I resigned, I knew I'd be out the door. So I literally had the new company car sitting in the car park, sitting next to my old company car, knowing that I would be handing over the keys of one and stepping into the new company car and driving home. And so there was very*

much a plan, in terms of, I'm leaving employment to self-employment, but, in the
latter case [the failure of his business], there was no plan. The simple plan was
just to, get out, and end it, and let it be over."

Likewise, Nancy (Now Feeling Good) also reported analogical thinking when discussing business failure. She had to personally dissolve her business, a process involving many challenging legal and administrative duties with which she had no prior experience and found quite daunting. Contextualizing her experience, she compared winding up a business with other difficult and challenging tasks in life:

"When you've got a whole bunch of to-do lists, it's always the horrible thing
you leave to the bottom of the list, and this was like a list of really horrible
things, you know. They are all horrible things to do 'cause they're all
reminding you of something that, you know, is a bit heartbreaking to think
about."

This type of reflection and comparison (i.e., analogical thinking) helped Nick and Nancy make sense of their failure experiences. That is, recalling the cognitive skills and resources used in past situations while identifying similarities and differences with the current situation, triggered the deployment of cognitive resources to process new experiences (Loewenstein et al., 1999).

Not all entrepreneurs expressed the same levels of sensemaking, and by comparison this study found lower levels of sensemaking amongst the Suffering group. When analysing Sam and Sara's narratives, there was less evidence of advanced cognitive processing in their narratives of scanning, interpretation and learning (Daft & Weick, 1984) as was apparent with Nick and Nancy's sensemaking narratives. Instead, Sam and Sarah's narratives expressed greater reliance on superficial cognitive strategies in their accounts of scanning, interpretation and learning throughout the business failure, where the individuals did not seem to transfer the same level of relational knowledge across contexts (Haynie, Gregoire, & Shepherd, 2002). For example, reflecting on the failure experience did not trigger such deep cognitive analysis for Sam whose practical black-and-white approach to setbacks prevented reflexivity:

> *"I don't see it as a failure at all. We started off with nothing. We never took any debts apart from the software, hardware leases, which we've paid off. We didn't take any bank funds; we didn't take any investments. We did it, from scratch with nothing in the bank balance."*

Sarah's description of her failure event was also somewhat problem focused and showed preoccupation with the activities, tasks, and challenges she faced

> *"I don't know what I wanted to do, I wanted to start another company, but I wanted to let the dust settle, see what was going to happen. Then I had to decide if I was going to try and get work or, just do some temporary work and then start a new company.*

In contrast to the Now Feeling Good and the Suffering groups, the Feeling Good and Delayed Suffering groups of entrepreneurs' narratives had mixed and moderate levels of cognitive awareness (and also displayed mixed and moderate levels of sensemaking) and are not included in Table 7.

Table 7 Cognitive Strategies and Emotional States

High Cognitive Strategies	Low Cognitive Strategies
Now Feeling Good Group	**Suffering Group**
Metacognition Nick: Nick reflects on his thought process at the time of the take-over and identifies a problem which he now sees as being critical to how things worked out *"I hadn't really been an employee for about 12 years, to be an employee, I ehm, probably underestimated that aspect. You know I still thought that I would be, very much, you know the main man kinda running this business. I mean it no longer became my, business. In fact I'm, the apparent view was that I didn't own any of the business. From Day 1. And they also didn't want me to be director from Day 1 which, I mean, that should have had the alarm bells ringing straight away. I mean it sounds a bit niave to be saying that now."* Nancy: Nancy reflected on her thinking at the time she started the business *"I regretted just even starting, you know, I felt I'd a lot of responsibility for it. I regretted the decision in the first place really. It did seem like sort of a waste of money and energy. And then the mistakes that I made, that kind of, finished it off."* She looks away as she says this, speaking slowly with little energy and underlying emotions of regret, disappointment, sadness and frustration. She continues with a stronger voice *"But I am a lot less sensitive to it than I was maybe a year or a few months ago. I think it's probably just a combination of time and you know, regaining your confidence as well as getting a new job."* Nancy continues *"If I put my mind to it, I'm capable of doing anything. I've always been that way about doing stuff. Maybe I've bounced back pretty quickly. I feel that I probably have."* This determination is confirmed in press releases documenting her academic and professional achievements throughout her career.	**Superficial Thinking** Sam: While Sam seems to have a sense of self-awareness and says *"It's not worth worrying, is it? It's not like, I was always one of these people that, knows that shit happens!"* He does not portray an interest in exploring why *"shit happens"* or what he thinks when it happens. He follows up with *"Most of the time there's nothing you can do about it so, just, just, cope with it, and come out the other end."* By assuming there is nothing that can be done, Sam prevents a deeper cognitive analysis that might come if greater attention was given to exploring the issue. Sarah: While Sarah explains how important it is for her to get away and *"Do nothing for a bit,"* she does not elaborate on what this process involves or how she has reflected on her thoughts. Instead, many of her recollections are focused on the activity of doing rather than thinking, in particular around the time of closure *"You've so many directional fears—you've got to do this, you can't do that. You've got responsibilities you have to do the right thing, and then you have to do the right thing by the staff and the creditors and everybody. We also had the other pressure that we had signed personal guarantees to the directors for the bank loan. You're terrified to do anything illegal or not right as it would come back and bite you."* Sarah seems to preserve some distance by speaking in the third person. This can create a generalizable affect making the experience transferrable to all individuals rather than specific and personal to her.
Analogical Thinking Nick: Nick struggles to make sense of where things went wrong, and turns to an active comparison between his situation and that of another company that was taken over by the same holding group. Comparing and contrasting both situations helps to contextualise his experience. *"The thing that surprised me and confused me a little bit was that [the holding company] acquired another company that has been pretty successful because the person that originally owned that was left still very much running it themselves. So, you know, it was a better run business because of the involvement of the [holding company], but they were still ultimately left to manage their people and customers and all the rest of it. Whereas straight away, the management interfered with how we ran our business, and really didn't let me do anything. I had zero authority, zero autonomy, and it was a horrible position to be in."* Press releases at the time concur with the success of the other take-over and also suggest Nick's buyout *"Would be a great fit."* (http//www.business7.co.uk). Nick seems to have reflected deeply on why it did not work out but the lack of answers leaves him looking hurt and confused. Nancy: When explaining the challenges Nancy faced in managing her financial accounts, she actually uses the analogy of *"Being hit by a train."* She explains how with the passing of time, she can see things *"More clearly, yeah, absolutely. You can see what happened and stuff. But I think, it is a little bit like being hit by a train, because you like, you kinda run out of money so quickly. I know that sounds a bit silly because, you're managing your accounts every month and stuff, but forecasting especially looks completely different to actually what's coming into the till and what your outgoings are and the you've get an unexpected bill or you get this or that and it changes so much that - it's hard, it's really hard to clearly forecast really what the business is going to do financially and then, having to put a handle on it so, ehm, I don't think, even now I really understand our balance sheet really and how it works. Even though I've had to sit and try and work it all out."*	**Superficial Thinking** Sam: Sam mentions how things could have worked out "We would've got some money out of it you know, we invested all, you know, half a million pound of profit just to keep the company going for another year" but resists any rigorous comparison or wishful or regretful thinking. "It didn't work out. It's one of the risks you take. Just, no use getting too stressed about it." An alternative way of saying "it didn't work out" is "it could have worked out", both of which accredit fate with the cause of failure or success and could prevent deeper diagnosis of the event. Instead Sam prefers to focus on how he could get out of the situation "I will always have a job. Even if I've to work in a supermarket again, I can always get a job doing something." Sarah *"Your time was full between keeping all the stakeholders happy and trying to juggle all these things that were getting thrown out by the council of creditors for stretching payment terms. We didn't have the cash to pay people on time and then trying to juggle staff to keep them in the loop, still deliver to monthly board meetings, and everything kinda crushed together at once."* When listing each of these things, Sarah recreates the frenzy. She emphasises each challenge, then remembers another. A few times it seemed like she had finished, but then she remembers another obstacle.

High Cognitive Strategies	Low Cognitive Strategies
Now Feeling Good Group	**Suffering Group**

Complex Thinking Nick: Nick describes the challenge in balancing his family's needs with his own. *"Although the business is doing quite well, it's still very short of cash. You know, inevitably you're going to be thinking 'I've got kids, and would it not make more sense if I get a job'. But I think that kind of thought lasts for about 30 seconds. Maybe it's been influenced by the fact that I went into a scenario where I did become an employee again, and it turned out to be a* <u>complete nightmare</u>*. Maybe, I've had my own business for so long now that maybe I am,* <u>unemployable</u>*, to an extent. I didn't think I would be, but maybe I* <u>am</u>*, and maybe I should face up to the reality that that is the case."* While later he comes back to how *"Strapped for cash"* his business is and how demanding this is for him. Nancy: *"I didn't really know what I wanted to do with my career or my job. It's such a complicated thing. You learn so much from it; ... I've a bit more confidence that I never had a year ago."* She described herself a year earlier as a *"Crippled wreck"* but sounds strong and confident now. She laughs again as she contextualises what happened.	**Superficial Thinking** *Sam:* Sam describes his pragmatic, almost black-and-white approach to dealing with stress and set-backs. *"It just happens, doesn't it? I see you've got two routes to take when that happens. One you just sort of say, well, we gave it our best shot; let's try again with something else. Or, you get all,* <u>frustrated, annoyed, and</u> <u>depressed</u> *about it."* He says *"One – we gave it our best shot"* in a rational, logical tone and says *"Two – get all frustrated, annoyed and depressed about it"* in a more flippant, irrational way, emphasising and dragging out the words *"frustrated," "annoyed" and "depressed"* – emphasising a futility in thinking that way. *Sarah: "I don't regret anything. When you've got less to lose, it's almost like, what's the worst that can happen. It's made me, I dunno, weight off my shoulders, grateful to be out of it to an extent."* Her voice is controlled saying this and she's speaking more slowly here, more measured, choosing her words carefully. She seems more tired and flat than when she was talking about setting up the business.

6.5 Emotions and Sensemaking

In this section, I consider question 1(c) which asks, *how do emotions influence the sensemaking process, after business failure?* I used a combination of cross-case and second order analysis to consider the emotional configurations of sensemaking. The findings of this analysis are presented in Table 8, where examples of extreme sensemaking (that is, examples of low and high sensemaking) are presented. The group of entrepreneurs' narratives that reported making the most sense of the failure experiences was the Now Feeling Good group. This group reported high negative emotions (and low positive) when the businesses failed and high positive emotions as time passed. The group of entrepreneurs' narratives that reported having made the least sense of the failure experience was the Delayed Suffering group. These narratives also reported high negative emotions around the time the business failed, but their positive emotions remained low after the failure. The other two groups, the Suffering and the Feeling Good groups, showed mixed levels of sensemaking, and were considered non-revelatory, and were omitted.

These findings present some interesting considerations. It was not that negative emotions were required to trigger sensemaking efforts (for instance, all entrepreneurs' narratives expressed some negative emotions although it was low for the Feeling Good group and Delayed Suffering group at the time of the failure); rather, my findings based on the entrepreneurs' narratives, suggest that higher levels of negative emotions generated greater motivation to make sense of failure experiences, provided they eventually dissipated. This is in contrast with the prevalent perspective in business failure research which has focused on how negative emotions can narrow attention and obstruct information processing (Ellis & Ashbrook, 1988; Forgas, 2003; Gladstein & Reilly, 1985; Sutton & D'Aunno, 1989; Wells & Matthews, 1994), adversely impacting sensemaking activities of scanning, interpreatation and learning (Daft & Weick, 1984; Shepherd, 2003, 2009).

Table 8 Emotional Configurations of Sensemaking

Now Feeling Good		Delayed Suffering	
Nick	**High Sensemaking**	**David**	**Low Sensemaking**
"The big lesson that I learned, when we were looking around for another buyer, we didn't shop around, at all." He says *"at all"* with a degree of surprise, as if it is obvious now but at the time he never thought of it. As the interview continues he reviews this comment and reflects more holistically about their chances of survival *"But in hindsight, even if we'd chosen wonderful people, the economic situation has been so grim these last couple of years, so who knows how it would have gone."* The experience has made Nick more resilient and he finishes the interview with an air of confidence saying *"It has made me more determined and hardened to resolve."*		*"The family business was, strangled by having too many, potential decision makers. It was very difficult to have clarity of direction. Management by committee, a horse becomes a camel."* Reflecting on family business he says *"It can be pretty acrimonious. It's very difficult. You can walk away from a business partner, but you can't get rid of family. They remain blood. They remain family, even if you don't particularly like them."*	
Nancy	**High Sensemaking**	**Drew**	**Low Sensemaking**
Nancy has formed a new understanding of her needs, wants and motivations. She explains how in the past she was dismissive about money and her job. However, going back to employment after her business failed made her rethink *"Before I thought, ugh, you know, that's just a really nice salary and it's only money and you can earn money again and stuff, it's now, I see that completely differently cause I think, you know I've got, a lovely healthcare plan, a pension, and shares in the company – and you know, I've got a lovely salary, but the salary means that I can go out for dinner on a Saturday night, and I can go away on nice holidays and you know, do all these things that I really value now because, I never had it for a year."* *"I think I'm probably suited to doing it again, but I think it would be totally different type of thing. I think I would go in with my eyes wide open and I'd ask lots more questions before I started. And I think I would really think carefully about giving my life totally over to it again."* She chooses her words carefully, speaking slowly as if to emphasise what she is saying. She continues that she would also be cautious *"The one thing that I underestimated completely when I was starting my own business, the toll it would take on those around me – my husband and my parents, and my sisters and the friends that come and support so much and pay the money to buy books that they don't need."*		*"When everything's about to collapse, it either brings out the best or worst in people."* His *"main"* learning from the experience is that *"My stereotypes have probably strengthened. Venture capitalists, academics, you know – liquidators".* He lists off his stereotypes, tutting and raising his eyebrows.	

As for positive emotions, the generation of cognitive resources from positive emotions is consistent with Fredrickson's (1998; 2001) "broaden-and-build" role of positive emotion. Therefore, my addition to the "broadening" role of positive emotions (Fredrickson, 1998) is the "motivation" role of negative emotions. For example, it seems that negative emotions prompted an adaptive response to improve an aversive state, which triggered vigilant and effortful processing (Clark & Isen, 1982; Forgas, 2003; Isen, 1984; Isen, 1987b). In contrast to the other emotional states, low negative emotions and low positive emotions, produced little sensemaking about the failure experience. However, while negative emotions should signal something is wrong and the need for sensemaking, the entrepreneurs' narratives in the Delayed Suffering group reflect entrepreneurs not sufficiently "motivated" to explore the events of their past, to make sense of their experiences. Furthermore, they did not express the positive emotions to expand the thinking and reflection (Fredrickson & Branigan, 2003; Isen, 1987b; 2000b) needed to facilitate sensemaking (Huy, 1999; Maitlis & Sonenshein, 2010; Weick et al., 2005). For example, when speaking about how he was affected by the experience of his business failing, Drew explained that *"Stress isn't really something I notice until everything's done and dusted, and then you want to shake down, I'm kind of, eh, fatalistic about things. Worrying about something isn't going to change it, there's no point in worrying about it."* It might seem that Drew has made little sense from his failure experience.

6.6 Coping and Sensemaking of Business Failure

I now address research questions 1d which asks: *How do coping mechanisms influence the sensemaking process, after business failure?* Building on stress theory (Folkman, 1984), I focus on two primary forms of coping mechanisms (Endler & Parker, 1990; Folkman & Lazarus, 1980; Stanton et al., 1994)—problem-focused and emotion-focused coping. I defined problem-focused coping as thoughts and efforts directed toward the problem causing distress (Lazarus & Folkman, 1984; Stanton et al., 1994b) and I examined narrative accounts and sources of secondary data for

examples of problem-focused coping. I assessed data as high on the problem-focused scale where there was obvious intent to modify the person-environment transaction (Carver et al., 1989; Lazarus & Folkman, 1984; Stanton et al., 1994a). I assessed as low where there was little evidence of this intent or effort. I defined emotion-focused coping as the processing of emotion during a stressful experience (Lazarus & Folkman, 1984; Stanton et al., 1994a) and assessed data from narratives and secondary sources as high where there were examples of reducing, regulating, and/or managing the emotional distress associated with the situation (Carver et al., 1989), and I assessed data as low where there was little or no evidence of this.

Again, I adopted both cross-case and second order analysis to explore the relationship between coping and sensemaking, across the groups of entrepreneurs. In Table 8 I present the findings from this analysis. This table shows the use and extent of problem-focused coping and emotion-focused coping for the four types of emotional narratives analysed in this chapter (Feeling Good, Now Feeling Good, Suffering, and Delayed Suffering). Assessments of emotion and problem focused coping were then analysed by the time of their occurrence. For each entrepreneur data was analysed in terms of occurring around the failure event or after the failure event. While there was slight variation, for the most part results remained constant. Where an entrepreneur showed greater use of problem-focused coping around the time of the failure event, they also showed greater use of problem-focused coping after the event. The opposite was also true, and entrepreneurs who showed greater use of emotion-focused coping around the time of the failure also showed greater use of emotion-focused coping after the failure.

I found little variance across the entrepreneurs' narratives in terms of problem-focused coping (only one, Geoff, reported low problem-focused coping), each entrepreneur reported high or moderate levels of problem-focused coping. However, there was considerable variance with the use of emotion-focused coping. When compared to the level of sensemaking reported in Table 7, I found that those narratives that reflected considerable sensemaking of the failure experience (Now

Table 9 Problem- and Emotion- Focused Coping

	Problem-Focused Coping	Emotion-Focused Coping
Suffering **Sam**	High: *"For the whole of March and April, our cash flow forecasts were updated at least twice a day, including all the staff costs we would incur if we had to make staff redundant on that date."* Twitter June 2011: Starts to promote his life straight away.	Low: While Sam suggests he had *"No problems sleeping at night"* elsewhere he admits *"There was a few times during [the decline of the business], there was a few, rough nights, just, worrying about this, that and the other."* There is contrast in his tone of voice from saying, no problems sleeping and then saying there were sleepless nights when the business was in decline.
Sarah	High: Sarah's business partner says she is a workaholic, a good negotiator, and good at getting what she wants, while Sarah herself in another press interview that she was up working the night before and would not go to bed until she had everything sorted.	High: *"I think, ehm, I took, I think the most important thing I did was take some proper time out though actually and do nothing or a bit, ehmmm just got my head straight ehm, ehmmmm, [long pause].I think the only thing motivating me was to get some, a different change a change of scene and just get away, from it."* Sarah explains one of the reasons for wanting to get away *"When you're surrounded by people who are just going to keep asking you 'What happened?' You know, 'How is it?' 'What you doing?' Ehm, you just can't get time out from it so, the easiest thing for me to do is try and spend some time somewhere else."*
Now Feeling Good **Nick**	Moderate: Two years before Nick's business closed, he identified that *"It could be run in a more intelligent way and needed additional resources to get back on its feet"*. Subsequently he approached what he thought was a *"Fast dynamic company that wanted to diversify into other professional areas."* Nick's approach to dealing with the events of the closure was *"Push forward and tomorrow things will be better."* It is almost like a mantra as he says this frequently throughout the interview.	High: When asked what his plans were after he left the business, Nick pauses for a long time before answering, almost in disbelief, "I didn't have any plan, at all." Instead he explains how he needed "A period of reflection when I first got out of the business" to process his distress and resentment as "There was still a lot of disappointment. There was still a lot of bitterness and anger, with the way I had been dealt with, personally." During this time he actively avoided thinking about, and talking about the failing business "It's not something I spoke to my family about. In terms of stigma, it's not something you're going to say to your family, 'Oh by the way, my business failed'."
Nancy	Moderate: *"The last three months, before the business closed, you know we - put everything in to it, you know that I could think of"*. She lists all the efforts they went through, contacting schools, increasing marketing efforts, and working long hours. *"I was doing some temporary work afterwards, but I've gone back into the field I was working in before, I started the business. I sort of started to look around. I just sort of applied for a few jobs, got offered a few different things, but then I got a call out of the blue, a couple of phone calls from head hunters. This one came up, looked really interesting, went to speak to the directors and, got offered this job. So I took it really."*	High: Nancy tried to avoid negative emotions by not leaving the house *"If I, left the house, I would be really really tempted to wear a brown paper bag on my head you know because I thought everybody that I've, that I would meet on the subway or, on the road where her business was, would have been a customer, or someone who knew something about the business, or knew something about me and, you know, you feel very paranoid and, really anxious about it."* Nancy started a new job which required her to spend 3 months in Sydney *"It was actually really good for me to have a bit of a distance [...] It's quite nice to just be away completely on the other side of the world, have some thinking time. I was able to kind of just, give myself some time to cope with it, and think about it; time to reflect on how lucky I was."*

	Problem-Focused Coping	Emotion-Focused Coping
Delayed Suffering **David**	High: *"I've always found that when you're stuck in, when you've got a sticky place that you don't want to be, break it down into its component parts, because you can deal with those on an unemotional level. If you're trying to deal with this big, cloud, it's almost impossible to deal with it on an unemotional level. And you won't make a good decision, because you're coward by the fear of this unknown."* When asked if he was as logical at the time of closure he pauses for a full 10 seconds before answering *"I think so. My head's always worked that way. I've always wanted to understand, ehm, what it is I'm making a decision about. I always looked at it and said, well, if you let your emotions run away with you, then you can't make clear decisions. When there's something you know you have to do, but you don't want to, and the longer you let it fester in your mind, the bigger a molehill, becomes into a mountain."*	Low: *"Half the folks around here who've been with us for long enough to remember all that stuff going on, yeah, they would have heard me shouting at [family relations]."* *"I tend to deal with things internally, I don't, tend to, spout a lot about them."*
Drew	High: *"Sixty percent of my time, if not more, was involved in trying to find fresh money to come into the company so, you know, preparing realistic business plans compared to the ones that were there before, and then to find possible investors and going round and doing the whole [pitching] bit with them."* *"I've got this – may be a useful thing – drives my wife crazy – but if, worrying about something doesn't do any good, then don't. Sleep does me more good than lying up worrying."* An ex-colleague of Drew's confirmed this on LinkedIn saying *"Drew is very pragmatic and a straight-shooter."*	Low: Drew displays hardly any emotion-focused coping. This is highlighted when asked if the event was stressful and how he dealt with it. He pauses for a while and sighs *"I suppose it must have been. Stress isn't really something I notice until, everything's done and dusted."* He later elaborates on his worries. *"I suppose it's change – change worries everybody. You're fitting into a new structure and maybe a different way of doing things to some extent, and there's always the worry that, you know, it's not gonna work out, it's gonna be worse for you than going away and looking for another job, kind of thing."* Despite discussing these personally, his use of the 3rd person could be considered a self-defence mechanism, where he distances himself from these concerns.
Feeling Good **Graham**	Moderate: *"We were kind of doing okay, but we thought we really have to make a move because we're on the road of potentially being struck off. I suppose when I saw the inevitability, of what was happening, I probably said 'well, what am I going to do?'"* Graham describes his approach as one of rationally assessing his options *"So I had my lessons learned, I had my rationale for what had happened, I had a context and a scale of what was happening, and I thought well, ok, it's not the ending I would have liked but eh, gotta move on. You know, I'm young enough, I'm 62 but I can, you know, I can do something. I've got my portfolio of work, I've got energy."*	Moderate: After his business closed Graham experienced an "Element of, a, fear of stigma" yet his confidence was boosted through the cajoling of his professional peers *"I think if I hadn't had that support and that encouragement to, you know, 'Don't beat your breast' and 'Don't cast stones at yourself —just, we want you to, regroup, start again'."* When things got too much for Graham *"There may have been the odd bit of MacCallan [whiskey] to help me out along the way"* while on Twitter he says good riddance to the terrible year that 2010 was for him (Dec, 2010).
Geoff	Low: Instead of directly facing the problem, Geoff explains his reluctance to close the business *"We were struggling to make any money on the books that we'd produced because of the margins, we were selling them but we weren't actually making any money on them, ehm, and eh, just going through that whole, process, of realizing that the business needed to be wound up but, you sometimes need a trigger."* He elaborates *"I think that's the thing, it's difficult when you've, been through something – you've built something up and you've been in it for x amount of years. And then, what you need to do is close it, that's incredibly difficult."* He struggles saying this; he pauses, speaks in the third person, shakes his head and rubs his forehead. He started by saying this a period of his life that he does not recall much about, yet he describes it in a lot of detail.	Moderate: *"It's one of those points of your life where things are just not so good, so you try and blank out, you know?"* Geoff needed time and space away. For him *"One of the good things of being able to wrap up the business and move straight into something else—that was good fun actually, like helping other people start businesses—it was a nice break, and that made things, a lot easier. And just, in fact, just getting away from it was very good actually."*

Feeling Good) reported reliance on emotion-focused coping, and those narratives that reflected little sensemaking of the failure experience (Delayed Suffering) reported hardly any emotion-focused coping at all. The Feeling Good group was moderate in its use of emotion-focused coping, and the Suffering group was mixed. For the Now Feeling Good group, my analysis of the entrepreneurs' narratives suggested that emotion-focused coping facilitated the generation of positive emotions as it "broadened and built" (Fredrickson, 1998; 2001) the entrepreneurs' cognitive abilities to make sense of their failure experiences. For example, a year after the closure, Nancy recalls moving to Sydney with her new job *"It was actually really good for me to have, like real, physical distance. The business for me as well, was on my doorstep, so it was quite nice to just, be away, completely at the other side of the world. [*During these three months] *I had also a bit of time to myself rather than, you know, being around friends and family all the time.* [This distance meant that] *I was able to kind of just, give myself some time to cope with it, and think about it; time to reflect on how lucky I was then."*

Taking some time out was also important to Nick, who refers to *"A period of reflection when I first got out of the business."* When probed about his plans during this time he pauses for a long time before admitting *"I didn't have any plan, at all"*. He continues saying this was a "*Horrible, horrible time. There was still disappointment, there was still a lot of bitterness and anger in the way that I had been dealt with, personally"* yet it was in confronting these emotions he made sense of what had happened. He continues that *"Having had longer to reflect on the whole experience,"* he now sees the failure in a different light and explains *"In hindsight, even if we'd chosen wonderful people, the economic situation has been so grim these last couple of years, so who knows how it would have gone."* Indeed, my findings related to the positive role of emotion-focused coping in entrepreneurs' narratives are consistent with findings suggesting that when faced with a trauma, individuals need to use emotion-focused coping to provide the "space" to rebuild their shattered assumptions of the world and themselves (Austenfeld & Stanton, 2004; Coyne & Racioppo, 2000; Haynie & Shepherd, 2011; Stanton et al., 2000).

I add to this literature by suggesting that the "space" created by emotion-focused coping also provides the opportunity to generate positive emotions. For example, at the time her business failed, Nancy (Now Feeling Good) reported that she felt like *"A crippled wreck, I was very stressed and worried, I was grieving."* This time spent grieving and reflecting on what she had been through helped dissipate negative emotions and created space for positive emotions to emerge. Instead of feeling stressed and worried about the failure, at the time of the interview, Nancy felt proud of her achievements:

> *"I'm really happy. I couldn't ask for more. [Starting a business] is something that so many people think about, and I just think if you're somebody who can be brave enough to try it and if you've got the resources and the support of people around you, then it's a great thing to try."*

6.7 Summary

This chapter addresses research questions derived in Chapter 2. By examining different emotional states, I explore how entrepreneurs' narratives reflect sensemaking of their failure experiences. I build on existing research identifying that business failure generates negative emotions and suggest that despite the difficulties negative emotions present for entrepreneurs, together with emotion-focused coping, they play a valuable role in prompting reflection and analysis after failure events. However, making sense of these internal explorations also demands greater cognitive resources (for attention and processing). In entrepreneurs' narratives, cognitive resources become available by the onset of positive emotions, which, through expanding cognitive structures, thoughts, and actions (Fredrickson, 2001), create a positive cognitive context. In this study, entrepreneurs' narratives that expressed higher levels of negative emotions and also expressed higher levels of emotion-focused coping, positive emotions, and cognitive analysis exhibited higher levels of sensemaking of their business failure experiences. In Chapter 8, I return to these findings, and analyse their theoretical contributions and implications for future research. Inherent in the analysis and findings presented in this chapter, was the issue

of time. These findings are analysed and their implications discussed in Chapter 8. The following chapter explores the time component of the business failure experience and identifies the unfolding nature of sensemaking, emotions and coping throughout the business failure process.

Chapter 7 The Business Failure Process

7.1 Introduction

Having addressed the nature in which entrepreneurs learn and make sense of business failure, I now turn to the second set of research question that were formulated in Chapter 3. These questions refer to the process of business failure and ask "How does the entrepreneur experience the process and emerge from business failure?" I explain the second cross-case analysis that I undertook of the entrepreneurs' narratives, to address these and the subsidiary research questions.

I introduce four distinct stages associated with the business failure process, namely (1) the descent of the business (Descent), (2) the decision to close the business (Decision), (3) the implementation of business closure, including activities and immediate consequences of closing the business (Closure), and (4) the entrepreneur's recovery from business failure (Re-emergence). Next I consider the unfolding nature of sensemaking, emotions, and coping, that was experienced by the entrepreneurs across the stages of the business failure process.

7.2 The Business Failure Process

This section addresses the research question: *2 (a): How does the process of business failure unfold for the entrepreneur?* Conceptual and empirical research on the unfolding of the business failure process is fragmented. Studies either focus on events, actions and decisions, *prior* to business failure (Dew, Sarasathy, Read, & Wiltbank, 2009; Sarasvathy, 2008; Shepherd, Wiklund, et al., 2009; Staw, 1981) or events, actions and decisions *post* business failure (Shepherd, 2003; Ucbasaran et al., 2013; Jenkins, 2010). There is limited understanding of how the process unfolds as a whole, from the descent of the business to the re-emergence of the entrepreneur. Cope (2011) suggested that the process of business failure unfolds as five different stages, or learning timeframes. These are: (1) the descent into failure; (2) the

experience of managing failure; (3) the aftermath of failure; (4) recovery from failure; and, (5) re-emergence from failure (Cope, 2011).

I analysed the 13 narratives of this study, to develop insight into the failure process that these entrepreneurs experienced (Yin, 2003a, 2003b; Eisenhardt, 1989). I began the data analysis by examining the time dimensions of the entrepreneurs' narratives. As was explained in Chapter 5, the interview guide was designed to capture stories about the background of the entrepreneurs' businesses; their feelings, insights and understandings of the failure event, and, life since their businesses failed. Therefore, time would be an inherent part of the entrepreneurs' narratives. As is characteristic of stage models, I analysed the data for clusters of problems of events (Greiner, 1972; Kazanjian, 1988; Lewis & Churchill, 1983) that entrepreneurs faced and attempted to resolve, that would define stages of the business failure process.

From analysing the entrepreneur's narratives of business failure, I found that indeed, business failure is not simply an event that happens at a point in time. This study provides empirical support for Cope (2011) – that business failure is experienced over a period of time, beginning well in advance of the business failing, and continuing beyond the life of the business, as the entrepreneur continues to recover and re-emerge from the experience. Cope's (2011) business failure process indicated five potential time frames of the business failure process. The data for this study suggest a slight difference. In agreement with Cope (2011), this study identified the descent of the business as the first stage of the business failure process (Descent). Next, and in contrast to Cope (2011), each entrepreneur referred to the decision to close the business, as being a critical juncture in their experience of business failure – –whether that decision was made by the entrepreneur or enforced by a third party such as a creditor or the bank. Thus, the decision to close the business the second stage of the business failure process (Decision). As with Cope (2011), the next stage to emerge from the data was the closure of the firm (Closure). After this, the next stages of the business failure process, identified by Cope (2011), were the aftermath of business failure, recovery from failure, and the re-emergence of the entrepreneur.

The data for this study did not support the three stages of aftermath of failure, recovery from failure, and re-emergence from failure. Instead, this study identified the process of business failure which emerged amongst this cohort of entrepreneurs as involving the descent of the business (Descent), decision to close the business (Decision), closure of business (Closure), and re-emergence of the entrepreneur (Re-emergence). As indicated in Table 10, 9 of the 13 entrepreneurs experienced all four stages of the business Descent-Decision-Closure-Re-emergence process. Four entrepreneurs experienced the first three stages and were in the process of progressing through their re-emergence stage. The following section outlines each of these stages and sample quotes, explaining the stages, are included in Table 10.

The descent of the business was characterised with struggles to save the business. Each participant explained how they prolonged their business' life and how *"You try and, ehm, keep the business going as long as you can"* (Nancy), while Matthew explains how he was *"Fighting for weeks and you know for weeks and weeks trying to come up with different ways to save the business."* For some, the descent of the business occurred over an entrenched period *"For two or three years, prior to closing, you know, I was running around all over the country, here there everywhere and working weekends in the office, to try and catch up with deskwork"* (Mark).

The decision to close the business was a difficult one and involved a decision-making process that unfolded over time. Sam states that *"We wanted to pay all our suppliers off. So, probably for the whole of March and April, our cash flow forecasts were updated at least twice a day including all the staff cost we would incur if we had to make staff redundant on that date."* And Matthew recalls the exact point at which he accepted the fate of his business *"There was a point where I realised that it's not giving in but I realised that, that I wasn't that I probably wasn't going to save it."*

Table 10 Progress of Entrepreneurs in Descent-Decision-Closure-Re-emergence Process

	Name* & Age	Nature of Business	Failure Event	Age of Bss. at Failure (Years)	Size at Failure (Emplo yees)	Year of Failure	Failure Process Stages**			
							1	2	3	4
1.	David 49	Agriculture (Vegetable Farm)	Voluntary Liquidation	3 Gener-ations	45	2002	✓	✓	✓	✓
2.	Drew 44	Electronic Manufacturing	Voluntary Liquidation & Trade Sale	4	5	2010	✓	✓	✓	-
3.	Geoff 44	Publishing	Voluntary Liquidation	3	2	2000	✓	✓	✓	✓
4.	Graham 62	Management Consulting	Voluntary Liquidation	18	15	2010	✓	✓	✓	✓
5.	Malcolm 45	Electronic Manufacturing	Voluntary Liquidation & Trade Sale	4	4	2010	✓	✓	✓	-
6.	Mark 62	Wholesale (Industrial Clothing)	Voluntary Liquidation	33	10	2009	✓	✓	✓	-
7.	Matthew 35	Confectionary	Involuntary Liquidation	9	25	2010	✓	✓	✓	-
8.	Max 46	Electronic Engineering	Voluntary Liquidation	5	5	2010	✓	✓	✓	✓
9.	Myles 35	Manufacturing (Board Games)	Dissolved Business	2	3	1992	✓	✓	✓	✓
10.	Nancy 30	Retail (Book Store)	Dissolved Business	1	1	2009	✓	✓	✓	✓
11.	Nick 46	Recruitment	Voluntary Liquidation & Trade Sale	12	10	2009	✓	✓	✓	✓
12.	Sam 40	Games Development	Dissolved Business	5	25	2011	✓	✓	✓	✓
13.	Sarah 32	Retail (Ladies Boutique)	Involuntary Liquidation	5	15	2010	✓	✓	✓	-

* Entrepreneurs have been anonymised and are listed alphabetically. The groupings used in Chapter 5 are no longer relevant

**Failure Process Stages

1 Descent of business   2 Decision to close business   ✓ Entrepreneur has progressed through this stage

3 Closure of business   4 Re-emergence   - Entrepreneur is still experiencing this stage

We may normally think of the closure of the business as an event, but the entrepreneurs reported that it occurred over a period of time. This was true for most entrepreneurs, regardless of whether they were declared bankrupt, or voluntarily terminated their business. For Nancy the Closure stage included *"The cold edge"* activities of closing things down such as *"Packing everything up in the van and then locking the door and handing the keys into the landlord"*. Yet many of the closure activities occurred for some time after this event. For example, Drew found that things were still being closed down months after notification that the business was closed. He states *"We started the liquidation process – in July, talking to the liquidator who told us they expected everything to be wound up by October/ November at the latest, and yet, here we are now, August, and the process still isn't finished"*.

Finally, there was a period when closure activities had ceased and the entrepreneurs began the process of re-emergence, where they applied they implemented action from sensemaking, to new projects and looked towards the future with optimism (Cope, 2011, p. 264). For example, Max stated *"Having the hindsight of the previous venture, you have a lot more experience to set things up a lot better."* These stages are further explained in Table 11.

7.3 The Business Failure Process: Cross-Case Analysis

Having established that these entrepreneurs experienced four distinctive stages as part of the failure process: (1) the Descent of the business, (2) the Decision to close the business, (3) the Closure (activities and events immediately before and after business closure), and (4) Re-emergence from business failure, I now consider research questions 2 b-d that ask: *2 (b): How does sensemaking unfold for the entrepreneur, throughout the business failure process? 2 (c): How do emotions unfold for the entrepreneur, throughout the business failure process? 2 (d): How do the entrepreneur's coping mechanisms emerge, throughout the business failure process?*

Table 11 Stages of Business Failure

Name	Descent of Business	Decision to Close	Closure of Business	Re-emergence
David	*"The sector was vegetable production. Once upon a time there would have been about a hundred and forty thousand tonnes a year grown. Now, forty – forty five thousand tonnes a year. Well the business started losing money."*	*"I had had enough of all this nonsense because to keep selling assets, wasn't going anywhere. And eventually, called a board meeting on neutral ground and said look I will petition the court to wind this business up."*	*"We shut the place down. We put it into liquidation because the land asset was worth something. We sold some of the assets for housing, and as that wound itself up, we came to an agreement between all shareholders and subdivided the rest, so we still have assets in common".*	*"I've been motivated by being the best in the sector that we've chosen to be in. By being able to be proud of the products that go out of here each year. So I'm very happy that I've got a good going business."*
Drew	*"We couldn't get any money to actually go out and sell the [engineering] products, and at that time – that would be 'round about 2009-2010, when the whole world was just, sinking in on itself"probably about, sixty per cent of my time if not more was involved in trying to find fresh money to come into the company."*	*"It was actually the investors, the venture capitalists who wanted to maximise every penny they could get from it. So, [voluntary liquidation] was the only way they could get any money back at all and as I say we were forced to do it in such a way we had to liquidate what was left and wind it up."*	*"We started the [liquidation] process – in July [2010], talking to the liquidator who told us they expected everything to be wound up by October/ November at the latest, and yet, here we are now [August 2011] and the process still isn't finished."*	**Not fully re-emerged** The business was bought out of liquidation and Drew is now employed by the person who bought it: *"I had never really had a boss and now all of a sudden I had a boss again [...] I suppose it's change, change worries everybody, you're fitting into a new structure and maybe a different way of doing things to some extent, and there's always the worry that, you know, it's not gonna work out."*
Geoff	*"We figured that [digital books] was the way forward, unfortunately for us it was probably ten years too early. And there just wasn't the connections at that time to make it happen and we just put a lot of time and effort and money into it."*	*"One of our business advisors, had just got a job as a Chief Exec. of an enterprise network in London, and basically asked us to do some consultancy. And that was the trigger to go and do something to bring money in."*	*"Oh what's there when you stop. That's a huge gap. There's nothing. You're just about to fall through a net, and eh, you know we were fortunate that, in the sense that at least we were able to walk into jobs, or to consultancy work." "It was quite an achievement to keep that professional and personal thing [relationship between Geoff and his wife] separate. But we managed it relatively well, through the whole kind of winding up of the business."*	*"I can see so many opportunities. Just massive opportunities out there. But it's planning it out so that it's done properly scaled up properly so we don't dive in head first and take my own advice and do my marketing. I've done way more market research on this than I've ever done on anything. I've proofed the concept as much as possible before we actually will even commercialize it. And that's where we're at."*
Graham	*"We had merged [with another consultancy]. And hopefully with that comes success. But you know, but what was happening was that the merged business, was failing faster than we had contemplated and [we] didn't have the ability to prop it."*	*"I said to the board, look guys, you know I'm 62, I don't want to be building a consulting business again. I love consulting. It's been my life for nearly 30 years. I want to go back to what I love doing."*	*"As directors you have to say well we're stuffed, and ehm, you go to a firm of lawyers. Basically, the lawyers then seek a winding up order in court. The bank gets informed so they freeze your bank account, and then work with the administrator, in terms of going through that process with them, establishing the terms of debtors and creditors and holding creditors meetings. Trying to gather as much money that is owed to you as you possibly can."*	*"When I realised we were on the way out I thought well, start planning for the future. So, I knew what I wanted to do, and I love consulting, and I thought well, I'll go back to doing what I want to [...] I had a couple of odd projects that I was almost able to begin immediately."*

Name	Descent of Business	Decision to Close	Closure of Business	Re-emergence
Malcolm	*"The last investment round, when we went for funding [the engineering business], it kind of coincided with the collapse of the markets. And we kind of knew it would be difficult for us. We then realized that we perhaps weren't as far along in our business plan as we, had hoped to be, so, we knew it would be hard."*	*"[The investors] couldn't really back up what they were promising really you know financially, because they just couldn't raise the money. At the end of the day, you have to make a decision what to do and we kind of went with the best one we could find [to liquidate and sell]."*	*"It could have been very simple, but there were problems with patents, and the IPR the company had. It dragged on a lot longer than it should have done. And it could have been done in two or three months."*	***Not fully re-emerged*** *"I lost a lot of money out of it because I was taking a lot lower salary than I should have been. So that was a bit difficult for me, but it's just one of these things, that happen. But of course the upside is that you know everyone got offered jobs and eh, you know, no-one died."*
Mark	*"The last two or three years of the [safety clothing] business virtually all the products followed a similar type of decreasing margin pressure. The only way around it was to sell an awful lot more stuff. So you'd to sell 3 or 4 times as much stuff to stand still in terms of your overall gross profit, 'cause costs were going up."*	*"It just got to a point where the stress of trying to do everything in the business just became too much for me. And I said this, this isn't worth it [...] I just need to, you know, pull the, plug."*	*"[Our accountant] knew of a lady liquidator, close by to where we were. I phoned her and she came up the next day and, she was very very helpful. Guided us through the whole, situation, and really took over from then on. I stayed around for a while [...] Essentially I wanted to do these things, to clear up the whole situation, as well as it could be cleared up."*	***Not fully re-emerged*** *"I'm not working now. I'm hoping to do something in the financial side again, to get back to the accountancy side and try and build up a wee bit of business doing accounts."*
Matthew	*"We underwent massive expansion [at our confectionary business] with a lot of capital and that was really the start of our problems because it coincided with the major part of the downturn."*	*"The directors took the business into administration, but the bank told us to do it."*	*"The process involved finalising a very brutal meeting with the bank, through to the next day when these guys coming in, the administrators. [...]For the two weeks after that I did do stuff to help them, to help the process."*	*"The easiest thing for me to do is to move on, and to try and fix that to almost recreate a better version of what we had. I hope this year is the only year that I have to be actively involved in the new business as we get it up and running. And then hopefully I can start to pay back some of the people in my life and then I can get on with what I want to do."*
Max	*"Demand for the big-ticket [engineering] items had just evaporated completely and that really, really put us under a lot of financial pressure."*	*"The lawyers said well, you know, the obvious thing to do is just, close it down – voluntary liquidation and sell the assets into a new company and start up again."*	*"The accountant who we worked with, was very, very supportive and provided us a lot of help and they brought in a recommended liquidation guy. It's very formalistic: you're hereby made redundant. You know, this is your legal this that and the other and you know. We just, em, basically, gave him all the support he could possibly want."*	*"Having the hindsight of the previous venture, you have a lot more experience to set things up a lot of better."*
Myles	*"It was all hand to mouth existence, trying to get enough money in to pay creditors… When you're running a business and your cheques are stopped, that's quite difficult. Cause you can't pay anybody. And when your house is on the line for the overdraft… every time I saw the overdraft, I saw the house."*	*"I did ask for someone for advice [about whether to close] and he said, 'You need to decide in 24 hours.' And that was what I really needed to know. And I kind of knew it already."*	*"We had some money in the account from the factory, six grand which paid for the liquidation. 'Cause if you don't have any money to pay for that, they won't do it."*	***Reflecting on what happens.*** *"I suppose at the time, you just move on. Regroup. You've got to get back on track. You're not going to start another business immediately, unless you've money, and you haven't got any. You're gonna try and get a job, and you're at a number of market disadvantages, because you're unemployed".*

Name	Descent of Business	Decision to Close	Closure of Business	Re-emergence of Entrepreneur
Nancy	*"The recession really started in the August as we opened [our book store]. People were being a lot more careful with their money. So it was just impossible to grow the business, month to month."*	*"It was like, how long do you want to keep this going for? And I just thought my God, I can't imagine the next five years of my life, doing this."*	*"That winding up the business time is such a long period of time, it's from, you know the cold edge that is locking the door, having packed everything up and gone in the van and then locking the door and handing the keys into the landlord. For such a long time after that you've got, loose ends to tie up and then you have the debtor issues to deal with and the letters and they, keep coming."*	*"I've gone back into the field I was working in before [...] The job was almost too good not to take because it was a great package, was on my doorstep, and you know, we are financially, totally back on our feet again and really better off than we were, before I started the business."*
Nick	*"The [recruitment] business had been, struggling, because the areas that we were in were things like legal recruitment, HR recruitment and accountancy recruitment. And, they were all kind of struggling in their own way the market was proving very difficult so overall my business ended up, struggling."*	*"Almost straight away, and within the first month of joining up with the other business, it became pretty obvious that the personalities, were so different, and it probably wasn't gonna work."*	*"It was May 2009 when the deal was done and I got out of the business, but there was a bit of kind of negotiating and squabbling etc [...] with lawyers at this point but by about the end of 2009, I was completely removed."*	*"I'm doing something still within the same industry, but it's a completely different sector. And I'm actually far more excited by what I do now, than I almost ever was, in my old business."*
Sam	*"In the past several years the [games] market has moved somewhat so the sort of services we were providing the demand went down from our traditional clients. So we found that basically our work was drying up."*	*"We had a day in mind, we knew that on this day, if we gave everyone their notice on that day we'd be able to, close down, fairly efficiently. Pay everybody off with no outstanding debts or anything."*	*"[When we started the business] we went from I suppose nothing to up and running in 3 weeks with signed contracts. And yet we made the decision to close down in the middle of April, and everybody, all the staff were made redundant in the middle of May and we are now in the middle of August and I am still spending a day a week, sorting out all the closure aspects."*	*"I'm doing some consulting now. I actually incorporated and set it up as a limited company."*
Sarah	*"We were struggling for cash with one [ladies boutique] store, it was our cash cow until rail works began outside the store, then it started to just struggle, it was draining cash then."*	*"At the point where we couldn't pay staff we wouldn't have staff working for any day that we couldn't pay them, so we had to then make a decision to give rights to the liquidators - we were going to liquidate the company."*	*"You got calls coming in from the administrators wanting information, make sure like the staff have got all their employment redundancy forms filled. We were just tied, waiting. We couldn't really go and get other jobs [...] Within two weeks we got served with letters from the bank's lawyers calling in full demand payment for the personal guarantees."*	**Not fully re-covered** *"I've done bits of work, but I haven't got a business to focus on. I think it's getting to the stage now I'm getting really frustrated. I want, I want to have a business, I want to have something else, but it's just finding an idea of what to do."*

To address these research questions, I organised each entrepreneur's narratives according to the four time frames of the failure process and conducted a cross-case analysis to analyse how sensemaking, emotions and coping varied across stages of the business failure process. Instead of taking each entrepreneur's narrative as an individual case, and searching for contrasts between the narratives (as is consistent with the variance approach adopted in Chapter 6), this chapter focused on contrast between stages of the Descent-Decision-Closure-Re-emergence process. As such, each stage is considered a case in its own right implying the cross-case analysis actually involved conducting a "cross-stage" analysis.

Once data had been divided according to these headings, I assessed the data entries for each construct, for each stage, as high (H), moderate (M) or low (L) based on the frequency and intensity of each entry (Weber, 1985). As with the data analysis outlined in Chapter 6, data entries were assessed as high if the entrepreneur reacted strongly, used intensive language and gave many examples. Constructs were assessed as low when the language was passive, the meaning was implied rather than explicit and there were limited or no examples given. With moderate assessments construct may have been relevant but the entrepreneur did not have an extreme reaction nor did they include many examples. A detailed overview of these assessments, for each entrepreneur and construct across each stage, is shown in Appendix F.

Consistent with cross-case analysis, I compared and contrasted (Eisenhardt, 1989; Miles & Huberman, 1984a; Yin, 2003a; Yin, 2003b) sensemaking, emotions and coping across the stages of the business failure process, to develop insights into the dynamism of the overall business failure process. Taking the table presented in Appendix F, I searched for a shift in assessment from high to low or low to high across adjoining stages, for each construct, for each entrepreneur. The results of this analysis are presented in Appendix G, showing how construct assessments contrasted from one stage of the business failure process, to the next. Table 12 represents a section of Appendix G showing changes in negative emotions for Myles and Nick across stages of the failure process.

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Table 12 Assessments of Negative Emotions across the Failure Process

	1. Descent	2. Decision	3. Closure	4. Recovery
Myles	M-H	M-L	H	M-L
Nick	H	L-M	H	L-M

Taking this data, I created diagrams to help interpret the findings. These diagrams are reproduced as Figures 2, 3 and 4, in the subsequent sections. These diagrams represent changes in each construct across the Descent-Decision-Closure-Re-emergence stages, for each entrepreneur. The following sections outline the findings of this analysis. For consistency and familiarity, the entrepreneur's anonymised names remain the same as from previous chapters, although the categorisations used in Chapter 6 are no longer relevant in this chapter. Given the focus of this chapter is on contrast between stages, not entrepreneurs, it is inconsequential if findings report entrepreneurs of a similar name, having similar experiences across stages.

7.4 Sensemaking throughout the Business Failure Process

In the business failure literature, research on sensemaking has predominantly focused on emotional barriers to making sense of one's failure experiences (Shepherd, 2003; Shepherd et al., 2011), sensemaking outcomes (Singh et al., 2007), and the content and nature of sensemaking tasks and timeframes (Cope, 2011). The focus of this work has been on sensemaking from business failure, after the event. However, sensemaking is an ongoing, iterative process (Allard-Poesi, 2005; Weick & Roberts, 1993; Weick, 1995), that truly begins when an individual's regular activity is disturbed (Weick, 1995; Weick et al., 2005) and when they are forced to make sense of their new situation (Poole et al., 1989). Facing confusion, uncertainty and a lack of relevant information triggers questions such as "Where we are heading now?" can lead to states of regression, instability, incomprehension, and loneliness (Savolainen, 1993, p. 17). Such a gap implies that regular movement of routine thinking stops (Horowitz, 1983; Janoff-Bulman, 1992), forcing the individual to alter their inner models or schemata (Horowitz, 1983),to conform to the new reality.

In the context of business failure, this confusion, uncertainty and lack of relevant information seems to start for the entrepreneur, during the descent of the business. Yet, research on sensemaking and business failure has focused predominantly on events after the failure event (Ucbasaran et al., 2013; Shepherd, 2004; Cardon et al., 2011; Mantere et al., 2013). This chapter contributes to our understanding of the sensemaking process, throughout the business failure process. Specifically, this chapter addresses the research question, *how does sensemaking unfold for the entrepreneur, throughout the business failure process?*

As with Chapter 6, I define sensemaking as "the sense that one is acquiring, and can apply, knowledge and skills" (Spreitzer et al., 2005) from their failure experiences. Consistent with a sensemaking perspective, this definition emphasizes individuals' subjective interpretation of learning (Huy, 1999; Kim, 1993; Shepherd et al., 2011; Weick, 1979). I coded sensemaking based on the entrepreneurs' accounts and reflections and I searched for instances where the participants expressed learning about themselves, their business, the environment, small business management and the nature and management of relationships (Cope, 2005). I assessed as high when the participant expressed sensemaking and learning and how they changed their practices as a result of the experience. I assessed as low when sensemaking was inferred, and the entrepreneur used general statements like "Yes, I have learned" but could not identify what they had learned, and, I assessed as moderate, when the data excerpts relating to sensemaking contained a mixture of high and low examples.

The findings from this analysis are presented in Figure 3 and are supported with examples of data in Table 13. The cross-case analysis sought to identify contrast from one stage of the Descent-Decision-Closure-Re-emergence process to the next. To achieve informant triangulation (Denzin, 1970), a pattern was identified in the behaviour of constructs from one stage to the next, if three or more entrepreneurs experienced the same changes. For example, in Figure 3, if three or more lines move from bottom left to top right across stages, the pattern discerned for that construct, at that stage, was a movement from low to high. If the lines for three or more entrepreneurs move from top left to bottom right, the pattern discerned for that construct, at that stage was a movement from high to low.

A movement from high to low or low to high across each stage is represented by a thick black line. When the assessment for a construct moves from high to low from one stage to the next, the black line angles from top left to bottom right from one cell to the next. When the assessment for a construct moves from low to high, from one stage to the next, the black line angles from bottom left to top right from one cell to the next. When assessments for a construct remain steady throughout the four stages of the process, or from one stage to the next, they are represented with a grey line. When there is a gap or no line evident, this indicates that there is no data entry for that entrepreneur, for that construct, at that stage.

Figure 3 shows that there was no pattern of sensemaking for these 13 entrepreneurs during the Descent stage or the Decision stage, as the data entries for sensemaking for the 13 entrepreneurs revealed no contrast of high or low, or low to high, between these two stages. Instead, data entries were predominantly low during these stages, or there was no evidence in the entrepreneurs narratives of sensemaking, at all. These findings infer that little sensemaking took place during these early stages of the business failure process. This would suggest that the disturbance of regular activity (Weick, 1995; Weick, 2005) was overwhelming during the descent of the business. The confusion, instability and incomprehension (Savolainen, 1993) that entrepreneurs faced, seems to have made it impossible for them to make sense of what was happening

In contrast to the first two stages of the Descent-Decision-Closure-Re-emergence process, the analysis revealed that sensemaking occurred in the latter half of the business failure process. For some, sensemaking occurred during the Closure stage. For example, Max showed little sign of sensemaking during the Descent or Decision stages – *"When you've got the blinkers on - in a sense all you're trying to survive, you know from day to day, stressed out trying to get money in to pay creditors – I mean you really don't have a wider perspective"* – but described considerable sensemaking during the Closure stage where *"Having the hindsight of the previous venture, you have [...] a lot more experience to set things up a lot better. We changed bank, the premises, the way we do all of our finance and stuff, our facility: 20 times better."*

Figure 3 Sensemaking throughout the Business Failure Process[5]

	Name	Descent	Decision to Close	Decision to Close	Closure	Closure	Re-emergence
1.	David						
2.	Drew						
3.	Geoff						
4.	Graham						
5.	Malcolm						
6.	Mark						
7.	Matthew						
8.	Max						
9.	Myles						
10.	Nancy						
11.	Nick						
12.	Sam						
13.	Sarah						

[5] Data are presented as black lines when there was a change between stages, with grey lines where there was no change between stages. Where there is no line, there was no data for this stage.

Similarly, Graham, the management consultant, learned a great deal from the events surrounding the closure of the business describing how ultimately *"I probably faced the stark reality of never being particularly good at running a consulting business."* Additionally, Nancy noted how in job interviews after the Closure stage *"I managed to sell it for, all the good things that I had learned from it. [My CV] said, director and business owner, ehm, there's a range of skills, everything I did, marketing, business development, business strategy, to the accounts, customer facing, procurement, stock management and all these other things."* For these entrepreneurs, sensemaking occurred relatively quickly after the failure events unfolded.

Some of the other entrepreneurs needed more time after the closure of their business before sensemaking from the failure experience could "kick in." For example, sensemaking was low for Geoff until the Closure stage had fully ended and he could reflect on the experience and learn. He describes how with the passing of time he could identify *"It was our, or particularly my lack of market research, more than anything. That's what really done it – it was not doing enough market research."* Sarah also noted that *"You learn a lot from putting your business down and going through that than you ever do from setting a business up or running a business."* The fact that sensemaking occurred after the failure event, might indicate that the entrepreneurs could only make sense of the failure experience, after they had started moving on with their lives. Applying the knowledge garnered to new events and experiences, fulfilling the "action" learning dynamic of sensemaking (Forbes, 1999; Taylor et al., 1991).

Table 13 Sensemaking throughout the Business Failure Process

Name	Descent of Business	Decision to Close	Closure of Business	Re-emergence
David	**Low:** *"The old farm hadn't had the money spent and therefore it was going backwards in yield and output. It was too disjointed. My grandfather, 85-86, when he'd done the last investment, he'd left it very disjointed."*	**Low:** *"What's the effect of shutting the business down? Ehm, for me, even shutting down was a decision that was taken a year too late."*	**High:** *"It was very difficult to have clarity of direction. Management by committee. A horse becomes a camel."*	**High:** *"If it had gone on any longer then, you know, we would have been lobbing lawyers at each other."*
Geoff	**Low:** *"It's your own sort of stupidity of not, seeing it objectively and thinking you can continue on and do it despite 10% wiped off your entire margin. You think 'Oh, I can still do it.' Well, you can't."*	**Low:** *"It's good to make a couple of quick, when you set up a business or when you do something, or have a project in a business and say if it's not working by this date, then, I'll stop doing it."*	**Low:** *"Well, when it happened, initially it was good to say well these were the pit falls for us so, you know if you're planning something, this is probably what you should do."*	**High:** Applying the experience to a new context, Geoff says: *"I know that's a cliché, but you know what, it would be just so good to go back now at that point, and start up and go – right – you know, do this properly. So that's been, as a foundation for, and a catalyst for what's happened to me over the years, it's been just brilliant, just brilliant."*
Graham	**Low:** *"We had some, some, bad decision, well well were they bad decisions? Bad outcomes."*	**Low:** *"It was a perfect storm.We just had to ride it out and didn't, we sunk."*	**High:** *"At no point did I lose confidence in, my ability to consult. I probably faced the stark reality of never being particularly good at running a consulting business."*	**High:** Tweets after the event how despite everything that has happened, his values are what make a difference with his clients.
Malcol m	**Low:** *"We then realized that, we perhaps weren't as far along in our business plan as we, had hoped to be."*	**No data entry**	**Low:** *"It dragged on a lot longer than it should have done, and it could have been done in two or three months, but because of there was lots of arguments with the IPR, it dragged on."*	**High:** *"You do learn a lot as you go through it. I don't know, maybe not to be so naïve, about things. Maybe not to trust people, too much. Like lawyers! It's kind of like a big growing up phase you go through when you do something like that. Eh, I would do it again, but I wouldn't do it the same way."*
Max	**Low:** *"When you've got the blinkers on - in a sense all you're trying to survive. You know from day to day. You're stressed out trying to get money in to pay creditors - mean you really don't have a wider perspective."*	**Low:** *"It's all going to die and that's going to be the end of it [...] pulling our hair out saying - this is the end of the world. It's a lot to take in."*	**High:** *"Having the hindsight of the previous venture, you have [...] a lot more experience to set things up a lot better. We changed bank, the premises, the way we do all of our finance and stuff, our facility: 20 times better"*	**High:** *"Lots and lots we've learned. We are so much more clever than we were before! Which doesn't say much for before"*
Nancy	**No data entry**	**Low:** *"If you can't meet your costs, then as a director you have to legally take responsibility, cease to trade, right. So that's a kinda <u>difficult</u> line to draw really, especially when, you know, we just kept adding our own money into the business to keep it going."*	**High:** *"The first thing that came to my mind, for the short time after the business closed was all the mistakes I had made. So it's not that I wasn't capable of doing it, I always knew I still know that I am capable of doing this one day, you know, if it was different circumstances."*	**High:** *"[In interviews for a new job] I managed to sell it for all the good things that I had learned from it. [My CV] said, director and business owner ehm, then, said there's a range of skills, everything I did, marketing, business development, business strategy, to the accounts, customer facing, procurement, stock management and all these other things."*

Name	Descent of Business	Decision to Close	Closure of Business	Re-emergence of Entrepreneur
Nick	**Low:** *"I just had it in my head that these people would be good to be dealing with."*	**Low:** *"It came down to a clash of cultures, if not personalities."*	**High:** *"Having the hindsight of the previous venture, you have [...] a lot more experience to set things up a lot better. We changed bank, the premises, the way we do all of our finance and stuff, our facility: 20 times better."*	**High:** *"I think middle management is a, is probably the worse job! Because you get all the crap from above and all the crap from below, you know!"*
Sam	**Low:** *"You know, in hind sight, we probably should have just closed down, last summer, in 2010, cause then we would've got some money out of it (laugh)!"* *"We invested all, you know, half a million pound of profit just to keep the company going for another year. It didn't work out. It's one of the risks you take."*	**Low:** *"I can't think of any specific examples really. Just try to close down efficiently, or just try and keep an eye on where that tipping point actually is. It's a case of keeping an eye on things and, when you've got to do it, do it. Just, do it."*	**High:** *"You learn a lot about people when you have to give them bad news. Some people are fantastic; some people just don't take it well."*	**High:** *"I learned so much from what happened. I've been doing this job for 17 years now. For the first 12 years I was working for someone else. And I thought I knew a lot then but, from running my own company, I know so much more."*
Sarah	**Low:** *"I think we just a bit naïve in realising the size of the scale we were trying to do it on and the size of investment needed and how that is funded and where it's going to come from. We should have thought about big scale funding a lot sooner."*	**Low:** *"My business partner got a letter from the bank's lawyer saying that, regarding discussions on your personal guarantee and without finding settlement on this and we've now deemed discussions as completed as unconcluded and closed and you'll be hearing from our lawyers and basically we'll be forcing you into bankruptcy."*	**Low:** *"The hits fell through and they didn't get a buyer and it got sold really, really cheaply. In hindsight, we could have bought it back and made more money as we were going to do."*	**High:** *"You learn a lot from putting your business down and going through that than you ever do from setting a business up or running a business. [...] I think once you've lost everything, in terms of personal bankruptcy, it gives you a different perspective on life that you're not as focused on, material things aren't as important. You're almost less scared to take a risk, less scared of losing everything."*

7.5 Emotions throughout the Business Failure Process

"Change is emotional due to the increased likelihood of experiencing challenging and potentially threatening issues." (Kiefer, 2005, p. 890)

Despite longstanding consent that emotion is a process (e.g., (Folkman & Lazarus, 1985; Frijda, 1993; Gross, 1998; Lazarus, 1991), much of the research on emotion and change examines emotions primarily as a static feeling state, and the notion that emotional reactions toward one key affective event may change overtime has been largely ignored (Liu & Perrewé, 2005). In the context of business failure, research on emotions has focused predominantly on how entrepreneurs reacted negatively to business failure (Shepherd, 2003; Shepherd et al., 2009a; 2009b). As with emotions literature, there is little understanding of how emotions change throughout the business failure process.This chapter contributes to the notion of changes in emotions over time by considering how emotions are experienced across stages of the Descent-Decision-Closure-Re-emergence process. Specifically, I address the research question: *1 (c): How do emotions unfold for the entrepreneur, throughout the business failure process?* I explain the cross-case data analysis I conducted to answer this question and I present the findings of this analysis.

As with Chapter 6, negative emotions refer to "the extent to which a person reports feeling upset or unpleasantly aroused" (Watson & Tellegen, 1985, p. 221). These emotions were portrayed in the feelings of regret, anger, disappointment, frustration, or loneliness which participants expressed when describing events, exchanges, and transactions. Positive emotions were defined as "the extent to which a person avows a zest for life" (Watson & Tellegen, 1985, p. 221). Positive emotions were revealed through the underlying feelings of pride, happiness, hope, excitement, achievement, confidence, and enthusiasm which participants expressed when describing events, activities and exchanges. Once again, negative and positive emotions were assessed as high if the entrepreneur reacted strongly, used intensive language and gave many examples; as low when the language was passive, the meaning was implied rather than explicit and there were limited or no examples given; and, as moderate if

negative emotions were inferred but the entrepreneur did not have an extreme reaction, or if they did not include many examples.

Rather than explaining what impact the entrepreneurs' emotions had on their sensemaking, recovery and re-emergence after business failure (as was the focus of Chapter 6), the analysis for this chapter sought to analyse what emotions the entrepreneurs experienced throughout the business failure process. Identifying a discernible pattern as three or more entrepreneurs experiencing the same emotional reaction, from one stage of the business failure process to the next (Denzin, 1970), this cross-case analysis process identified no discernible pattern in the movement of positive emotions from one stage to the next. This is exemplified in Appendix D, which shows that there was movement in positive emotions, from low to high, or high to low, across the four stages of the business failure process, for 9 entrepreneurs.

Graham and Matthew experienced movement from low to high positive emotions, from the Descent of the business to the Decision to close, while Myles' positive emotional response was the opposite, and he experienced movement from high to low from the descent of the business to the decision to close. With regards the decision to close to the actual closure, Geoff and Nick experienced an increase in positive emotions as they implemented the business closure, while Malcolm and Mark exhibited a decrease in positive emotions in doing so. As for moving from the closure of the business to the re-emergence of the entrepreneur, Myles and Nancy seem to have experienced relief as they show a movement from low positive emotions the closure to high positive emotions as they re-emerge from the experience. The opposite was true for Max, who experienced an increase in positive emotions as more time passed.

In contrast, the changes in the entrepreneurs' negative emotions, across the four stages of the business failure process, seem to be more aligned. These changes are illustrated in Figure 4. This figure presents the contrasts in the entrepreneurs' levels of negative emotions from the descent of the business to the decision to close; from the decision to close to the closure of the business; and, from the closure of the

Figure 4 Rollercoaster of Negative Emotions[6]

	Name	Descent of Bus.	Decision to Close	Decision to Close	Closure of Bus.	Closure of Bus.	Reemer. of Entr.
1.	David						
2.	Drew						
3.	Geoff						
4.	Graham						
5.	Malcolm						
6.	Mark						
7.	Matthew						
8.	Max						
9.	Myles						
10.	Nancy						
11.	Nick						
12.	Sam						
13.	Sarah						

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[6] Data are presented as black lines when there was a change between stages, with grey lines where there was no change between stages. Where there is no line, there was no data for this stage.

business to the re-emergence of the entrepreneur. This diagram is supported by Table 14, which includes samples of quotes that represent the assessments of high and low, for each stage. The apparent pattern for negative emotions over the Descent-Decision-Closure-Re-emergence process, for these 13 entrepreneurs, is that while negative emotions were high during the demise of the business they decreased upon entering the decision stage. The anxiety of knowing that one day such a decision was likely as business performance declined, was somewhat worse than engaging in the actual decision making process. For example, Max explains how the thought of his business closing was overpowering *"You're going through this dip of 'That's it! It's all going to die and that's going to be the end of it!"* while elsewhere he explains *"We're there, pulling our hair out saying, 'This is the end of the world.' It's a lot to take in."* However, they sought advice from their solicitor who confirmed their concerns *"They said well, you know, the obvious thing to do is just, em, close it down – voluntary liquidation and eh, sell the assets into a new company and start up again. It seemed like it was the best thing to do. There was a rope handed to us when the trap-door opened sort of thing – who we can grab onto."*

One reason for the substantial change in negative emotions from the Descent to the Decision stage is that negative emotions associated with an uncertain future such as signals of poor performance, and the loss of a vibrant business, seem to give way to a growing realisation that the business is failing and must be closed. Indeed, psychology research has found that the uncertainty over a looming negative event is felt worse than experiencing the negative event (Folkins, 1970; Smith & Lazarus, 1990; Spacapan & Cohen, 1983). Consistent with, and in addition to this explanation is the relief felt from the realisation that the business is failing and attention turns away from demise to proactive steps toward deciding whether, when and how to close the business. For some entrepreneurs, moving from the Descent (and perhaps denial) stage to the Decision stage generated some positive emotions, such as relief. Previous research on business failure has suggested that entrepreneurs experience relief in response to firm failure, after the failure event (Jenkins & Brundin, 2009). In this chapter I find evidence of relief much earlier in the process, perhaps as the entrepreneurs experience a new lease of life and energy to explore their options (Hurst and Shephard, 1986). For example, both Nick and David experienced feelings

of relief. Nick stated "*The simple plan was just to, get out, and end it, and let it be over. And that's what eventually happened, it was over. Ehm, and so, so the first feeling was one of relief, because it had been so torturous.*" While David stated *"My experience on eventually shutting down, I'd to push myself to do it, but such a bloody relief"*. These positive emotions widen "the array of the thoughts and actions" that come to mind (Fredrickson, 2001, p. 220) and in doing so "undo" the negative emotions (Fredrickson & Branigan, 2003; Fredrickson & Levenson 1998) generated as business performance declined.

While negative emotions were diminished by entering the decision stage they escalated for the closure stage, for two entrepreneurs, for Myles and for Malcolm. Perhaps they experienced an increase in negative emotions from the Decision to Closure because enacting the closure triggered the realisation of the loss of something important (Archer, 1999), or because it stimulated grief reactions in stakeholders and family, that resulted in further losses – and the entrepreneurs experienced guilt for causing others emotional pain (Baumeister, Dale, & Sommer, 1998; Cope, 2011; Forgas, 1994). However, given there were not three or more entrepreneurs who experienced this move in emotions, I will move on to the next stage of the business failure process.

Largely entrepreneurs' negative emotions diminished as they moved on and re-emerged from the business closure. Mark explained his emotional state two years after business closure: *"Hindsight, hindsight's a great thing. You know, if you look back and you say, well maybe if I did this, that and the next thing it would have been easier. Or if I'd pulled out earlier it would have been the right thing to do and all these different things. But in the end, you make the decisions that you think are the right at the time. And you go for it and you've just got to accept the consequences."* An explanation for diminished negative emotions in the Re-emergence stage is that time provides the entrepreneur the opportunity to "put some distance" between their self and the failure experience (Shepherd et al., 2011), to create a plausible account for why the business failed (Shepherd, 2003) and establish new, replacement projects and social contacts.

Table 14 Rollercoaster of Negative Emotions

	Descent of Business	Decision to Close Business	Closure of Business	Re-Emer. of Entrepreneur
David	**High:** *"It's just a big step into the unknown. You're taking on something [...] you know you have to do, but you don't want to. And, the longer you let it fester in your mind, the bigger a molehill becomes into a, mountain."*	**Low:** *"Once you've done it, first steps always the hardest. Once you've taken that first step, then, it takes the weight off your shoulders."*	**Low:** *"What's the effect of shutting the business down? Ehm…… for me…. Even shutting down mushroom growing, it was a decision that was taken a year too late."*	**High:** *"Ehm, most people who run businesses tend to live it all the time. And you do. You know there's times now where I'll wake up in the night and, you've got so much going on in your mind you can't get back to sleep so you get up, sit down and do it. Ehm, work it out."*
Drew	**Low:** *"We got close to the stage where we were running out of money. We gradually reduced everybody's pay by thirty per cent on a temporary basis. Again because everybody knew the situation, everybody was happy to do that."*	**Low:** *"I had one of these spread-sheets where you start doing cash projections but then you realise, those other things you forgot to add it in, where you spend money but never anything were extra money was coming in."*	**Low:** *"We were bought over by another company, who offered to keep their employment going but at this stage - I didn't know whether I wanted to work for them."*	**High** *"You can be looking for a job and then suddenly you get this bit of paper from the DTI telling you, you can't be a company director. So that, the whole vagueness and uncertainty of it things like that." "Everyday it drags on – the liquidator spends more and more of the money so there's less and less."*
Geoff	**High:** *"You put a lot of effort into doing something, and actually not make any money out of it." "I think everyone running your own business and knowing you have to, to generate income for yourself and everything you do depends on how, you know, it doesn't get easier when you're under pressure."*	**High:** *"The start of year three, that's when we were under pressure because we had books, so even selling the numbers that were – given a sort of top ten in the region, were, not enough to give us a decent margin."*	**Low:** *"Here's some consultancy work, it's like halfway house, you'll get well paid, to do, it will allow you to do what you need to do to wind the business up and sort things out while still working down here and you'll get paid for it. So that was a big thing."*	**Low:** *"I'm only sorry that I didn't do it ten years earlier. But that's life… and that's, you get experience of doing things. Ehm, I would love to go back ten years and know what I know now."*
Malcolm	**Low:** *"We were still pretty optimistic until the, maybe 4 months maybe 5, 6 months up until the end. We were certainly optimistic that the company would see itself through to sales."*	**Low:** *"The investors decided not to accept that offer and they decided that they would keep the company going on for another year or two. So we kind of had that in our minds, well that they're obviously behind us. And as it turned out, they couldn't really back up, what they were promising really, financially. You could pragmatically look at it and understand the reasons for it, given the economic climate."*	**High:** *"It was pretty difficult because you are involved in something for, you know, a period of years. It was disappointing."*	**Low:** *"It's just one of these things, these things happen […] Yeah there's no point in looking too badly on it all, you know, it was an interesting experience, I'm glad I went through it."*
Mark	**High:** *"It just became, a bit of a strain. I just, it became quite hard to cope with. I was away nearly all week, selling in some way or other. You're never really off duty for any length of time."*	**High:** *"It was like a death in the family almost in one way, I mean when you've been 33 years in a business, it's not as though, you know you've been with it in all the good times, the bad times, the battles and the, triumphs."*	**High:** *"I took a heart attack last year, which I think was just really down to the strain of everything. And eh, all the things I'd to deal with. The doctors said it was really a result of all the stress and the strain of, not just the closing of the business, but I think for two or three years, prior to that."*	**Low:** *"Hindsight, hindsight's a great thing […] But in the end, you make the decisions that you think are the right at the time. And you go for it and you've just got to accept the consequences."*

	Descent of Business	Decision to Close Business	Closure of Business	Re-Emer. of Entrepreneur
Max	**High:** *"We're there, pulling our hair out saying, 'This is the end of the world.' It's a lot to take in. I mean, it's very threatening. Very worrying. Very frantic."*	**Low:** *"Liquidating the business seemed like it was the best thing to do. There was a rope handed to us when the trap-door opened sort of thing – who we can grab onto."*	**Low:** *"We were annoyed that we were having to go through this process, em - cause we felt it was completely unnecessary and so on [so] we had to, we had to move incredibly quickly. Otherwise there was a chance that HMRC would issue us with a courts summons, and then it would be out of our hands."*	**No data entry**
Myles	**High:** *"It's all bearing down on you [...] The bank were really aggressive and nasty, and I said to them, I'm very sensitive to that 'cause I can't believe people are doing this to me."*	*Low:* *"What I did was seek out professional advice [...] He said, you need to decide in 24 hours. And that was what I really needed to know. I kind of knew it already."*	**High:** *"You think "How did I get through that?" I just don't know at times. You know, I can see why people might jump off the bridge, because they just can't continue, and yet, it's only money. It's only bits of paper, you know."*	**Low:** *"There is actually a pride as well, yeah? Because I've still got a few of those board game products [...] I gave a friend one. You know it was 20 years old but it was all wrapped and fine."*
Nancy	**High:** *"I was… very stressed, … and worried,,, and you know, had lost weight, just real physical symptoms too I didn't have a lunch break, didn't have any time to myself."*	**High:** *"We were looking at spread sheets and it was like, one o'clock in the morning and … you know, it was just… … really anxious and you don't know what we're going to do."*	**High:** *"It's not a very nice feeling really. you have a lot of regret. And a lot of guilt. It sort of had an impact on your family that you never really wanted to have financially."*	**Low:** *"I'm really fine actually. I think it's probably just a combination of time, and, you know regaining your confidence as well and your job, you know being in a position where you think, "I was good at this."*
Nick	**High:** *"There were times it got very stressful, and ehm very, very unpleasant [...] I kept trying to get my head down, but it was really a pretty awful time."*	**Low:** *"It was over. Ehm, and so, so the first feeling was one of relief, because it had been so torturous."*	**High:** *"So the whole thing just, there wasn't really anything worked out that great about it [...] It left a bad taste in our mouth at the end because of the way that they, they dealt with the whole thing."*	**Low:** *"Although the [new] business is doing quite well, it's short of cash. Inevitably you're going to be thinking, you know I've got kids and, would it not make more sense if I get a job. But I, I think that kind of thought lasts for about 30 seconds."*
Sam	**Low:** *"We realized, we've got to find more work after this project. If we don't find more work, we are going to have to close down. So we were aware of it all the way through."*	**Low:** *"We found that basically our work was drying up. We did have, advanced notice. We had to make half the company redundant [the summer before].*	**High:** *"You know how you have got your insurance policy, all sorts of things you set up when you're in a company. Trying to close them down, people just ignore you. I've sent them letters, I've e-mailed them, I've called them, but they are still sending letters. That's just really frustrating."*	**High:** Talking about people referring to his business failing he says *"I just smile and walk away before I hit them"* He Tweets a mildly disappointed message about being out of work, two days in a row

There are two exceptions to the decrease in negative emotions from Closure to Recovery. Drew and David's negative emotions escalated across these stages. David indicated that "*Most people who run businesses tend to live it all the time. There's times now where I'll wake up in the night and, you've got so much going on in your mind you can't get back to sleep*". Drew found that "*The whole vagueness and uncertainty*" of the liquidation process is still hanging over him and comments that "*You can be looking for a job and then suddenly you get this bit of paper from the authorities telling you, you can't be a company director.*" When compared to others with substantial changes across stages, Drew and David may have an elongated (delayed) reaction, perhaps even prolonged denial or emotional postponement (Lopez, 1983). However the focus of this chapter is not to explore differences between individuals, but to explore how the experience of business failure changes from stage to stage. In the next section I continue my analysis of how entrepreneurs experience business failure across the Descent-Decision-Closure-Re-emergence process, by exploring how entrepreneurs experienced coping throughout the four stages.

7.6 Coping throughout the Business Failure Process

As with emotions, coping is also considered a dynamic process "that shifts in nature from stage to stage of a stressful transaction" (Carver et al., 1989, p. 270). However, there are limited studies that take a staged approach to coping in a stressful situation (Folkman & Lazarus, 1985). In the business failure literature, research has primarily focused on coping styles (Cope, 2011; Shepherd, 2003), and coping tasks (Singh et al., 2007). These studies refer to how the entrepreneur copes with business failure, or loss, once the event has occurred. However, the entrepreneur's experience of business failure begins far in advance of the failure event, as the business begins to decline (Gimeno et al., 1997; Shepherd, Wiklund, et al., 2009). In exploring how entrepreneurs experience business failure, understanding the nature of their coping with business failure is critical to our understanding of how failure occurs for the entrepreneur, over the business failure experience. This chapter contributes to the

coping and business failure literatures by illuminating a processual understanding of how the entrepreneur copes with the stressful loss event from the time before the loss to their recovery.

As with Chapter 6, emotion focused coping is referred to as processing emotion during a stressful experience (Folkman & Lazarus, 1988; Stanton et al., 1994) and involves reducing, regulating, and/or managing the emotional distress associated with the situation (Carver et al., 1989). In analysing the data for examples of emotion-focused coping, I searched for examples of defence mechanisms such as signs of denial and/or avoidance of a problem; signs of distraction; taking space to think, understanding and reflecting; not talking about the problem; wanting to be in isolation; needing time away. Emotion-focused coping can also include blame. Data entries were assessed as high if the participants described responding in any of these ways to what had happened and had a high number of entries and rich descriptions. Data entries were assessed as low if there was little or no mention of reflecting on what had happened; if they gave no examples of self-defence mechanisms outlined above; if they moved quickly from the business failure to next project; if they did not acknowledge any sense of loss over the business failure; if they maintained a completely pragmatic and logical perspective about what had happened. Data entries were assessed as moderate if the participants inferred emotion-focused coping, but did not include explicit examples, and if their narratives included a combination of high and low examples.

Problem-focused coping involves directing thoughts and efforts towards the problem causing distress, with the intention of modifying the troubled person-environment transaction (Carver et al., 1989; Stanton et al., 1994). In particular I examined the data for examples where participants focused specifically on the source of the problem. I assessed as high where the entrepreneurs described dealing with the stressors, looking for solutions, looking to the future (with little evidence of reflection), and trying to 'fix' the situation for a quick transition. I assessed as low when entrepreneurs seemed unable to do anything about the stressful situation, and where they were constrained by negative emotions and reactions. I assessed as moderate where there were combinations of high and low entries and where they

'managed' to solve problems, that is, when problems were solved but in a more passive or reactive way, rather than a proactive way.

Rather than explaining the use of coping strategy across individuals, this chapter offers evidence of differences in use across stages of the Descent-Decision-Closure-Re-emergence process. This chapter found there were no discernible patterns in the use of emotion-focused coping, from one stage to the next of the failure process. These findings are presented as Appendix F. From one stage to the next, there were only 3-4 instances of change, from high to low or low to high emotion-focused coping and where there was contrast between the stages, there were only 2 entrepreneurs out of 13 who experienced the same flow and usage of emotion-focused coping between the same stages. For example, from Descent to Decision, only data for Graham and Max showed a change in the use of emotion-focused coping, from low during the Descent stage to high during the decision stage; while only Nick and Geoff experienced a change from Decision to Closure, moving from low to high emotion-focused coping (Mark experienced change also from Decision to Closure, but was the reverse of Nick and Geoff, that is, high to low). Lastly, from Closure to Re-emergence saw four instances of change – an increase and movement, from low to high, for Myles and Nancy and a decrease and movement, from high to low, for Matthew and Malcolm. Given this lack of pattern and sometimes conflicting usage of emotion-focused coping, the analysis indicated that there is varied use of emotion-focused coping throughout the Descent-Decision-Closure-Re-emergence process.

There appeared to be greater agreement in the use of problem-focused coping throughout the failure process. This pattern and movement in the use of problem focused coping across the Descent-Decision-Closure-Re-emergence process is illustrated in Figure 5 while Table 15 provides data examples to support the following. The use of problem-focused coping was high during the Descent stage and substantially "dropped off" during the Decision stage.

Figure 5 Dynamic Use of Problem-Focused Coping[7]

	Name	Descent of Bus.	Decision to Close	Decision to Close	Closure of Bus.	Closure of Bus.	Re-Emer. of Entr.
1.	David						
2.	Drew						
3.	Geoff						
4.	Graham						
5.	Malcolm						
6.	Mark						
7.	Matthew						
8.	Max						
9.	Myles						
10.	Nancy						
11.	Nick						
12.	Sam						
13.	Sarah						

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[7] Data are presented as black lines when there was a change between stages, with grey lines where there was no change between stages. Where there is no line, there was no data for this stage.

Table 15 Dynamic Use of Problem-Focused Coping

	Descent of Business	Decision to Close	Closure of Business	Re-Emer. of Entrepreneur
David	**Low:** *"I had to scratch around and borrow enough cash to clear the bank overdraft."*	**High:** *"We had to sit down and have a conversation and say, look guys …. It's got to stop. You can't, if there's no way out, stop, stop it before it goes any further."*	**Low:** *"We shut the place down. We put it into liquidation because the land asset was worth something."*	**High:** *"When somebody says you can't, you find a way of doing it, partly to do "That" to them, but also partly because, you're intrigued about how the hell do you get around this." You don't want people saying 'no' to you."*
Drew	**High:** *"Sixty per cent of my time if not more was involved in trying to find fresh money to come into the company. We'd written away to just about every investment company."*	**Low:** *"We decided just to try and, and sell what was left of the business. Ehm, which we did, but for a knocked down price and we were bought about a year ago. They bought the business in assets, so the shell of the old business is still going through the liquidation process just now."*	**Low:** *More worry: "Change – change worries everybody, you're fitting into a new structure and maybe a different way of doing things to some extent."*	**High:** *"I've got this – may be a useful thing – drives my wife crazy – but worrying about something doesn't do any good. Sleep does me more good than lying up worrying" "I'm actually – I'm very bad, if I go home at night, I just sit with my lap-top on – doing stuff."*
Geoff	**High:** *"That was probably, 6 months' worth of trying to grind out, you know, an equity investment to fund it, to keep it going."*	**Low:** *"You meet people all the time in the same situation and you say "Stop flogging a dead horse!" But no-one will take that on board. And I know why, because you think it's next week, it's just around the corner it's all gonna change."*	**High:** *"One of the good things of being able to go, being able to wrap it up and move straight into something else that was good fun actually, like helping other people start businesses, well now moving down to London first as well and then doing something completely different."*	**No data entry**
Graham	**High:** *"When I saw the inevitability, of what was happening, I saw some opportunities that we were currently working with that I thought "Well actually if I can deliver that then, that gives me something."*	**High:** *"It did help me having the portfolio of work, did help me deal with, you know."* Because he had something else to focus on.	**High:** *"We just get on with it. With what I need to do. Our administration, was actually ok, ehm, in that we managed to gather in virtually all our debtors, apart from one, and you know, that was that was a major achievement."*	**Low:** *"I'm happy doing what I'm doing. I'm making a bit of money."*
Mark	**High:** *"For two or three years, prior to that, was running around all over the country. Here there everywhere and ehm, you know, working weekends in the office, and trying to catch up with, deskwork. I was doing more sales than anybody else. I was actually doing about 82% of the company sales."*	**High:** *"They were things that you had to face, and you knew you were now beginning to face things, things that you were putting to the back of your mind."*	**Low:** *"I got some redundancy money and things like that. So that helped me for a month or two. And eh, paid the bills, until such time when we got the whole thing cleared up."*	**Low:** *"I'll try and have a go at accountancy. Hopefully, I can get some money in to pay the bills."*
Matthew	**High** *"[I had] been fighting for weeks and you know for weeks and weeks trying to come up with different ways, desperately trying to find ways to sort this out."*	**Low** *"The day the administrators came in, and we told everyone and they took over."*	**High** *"There's two things you can do, you can stay down and mope about it but ehm, that didn't feel like an option, or at any point, like something I wanted to do."*	**High** *"The easiest thing for me to do, to move on, and to try and fix that to almost recreate a better version of what we had."*

	Descent of Business	Decision to Close	Closure of Business	Re-Emer. of Entrepreneur
Nancy	**High:** *"We were doing as much marketing as we could, and we were doing as much communication, and like loads of events and trying loads and loads of different things."*	**Low:** *"It was just nice to, you know at least have a bit of an action plan as to do this."*	**Low:** *"I knew we kinda had to do something about the books, sell on e-bay, try and raise some money and put it against the debt."*	**High:** *"Having a salary again and being able to take my husband out for dinner, and you [...] can almost start to think about paying back the people that had been there for you in the year. Paying back my debt and everything. That was, a big step too."*
Nick	**No data entry**	**Low:** *"I don't think I, I can't remember doing much at all, until this, legally, was over."*	**High:** *"I spent a couple of months looking at, a few different ideas. I was looking at my own, strengths and things I enjoyed doing. I liked the idea of having a portfolio of different things."*	**No data entry**
Sarah	**High:** *"Your time was full between keeping everyone, all the stakeholders happy and trying to juggle all these things staff, to keep them in the loop, still deliver to monthly board meetings to keep the investor happy."*	**High:** *"You're forced to take the advice of the administrator, but they just tell you, you have to do the right act by the law, which is not commercial, common sense advice that helps you keep going and helps you find a way out."*	**High:** *"We were negotiating with them we were like we have the flat, here's the valuations, we have no real assets , we can't pay these, we can offer you a sum of number over a number of years , but it's nothing, nowhere near the full amount."*	**Low:** *"I've done bits of work [...] just doing whatever to make ends meet".*

One illustration is Drew who relied heavily on problem-focused coping during Descent: *"Sixty per cent of my time if not more was involved in trying to find fresh money to come into the company. We'd written away to just about every investment company, had lots of meeting with lots of them, some of them we had to go into a sort of formal pitch process to their investment board."* However, Drew showed little use of problem-focused coping in the decision stage. For example, he noted "*We decided just to try and, and sell what was left of the business. Ehm, which we did, but for a knocked-down price.*"

An explanation for the heightened use of problem-focused coping as the business declines reflects transactional theory of coping where once individuals conduct a primary cognitive appraisal and identify an impending threat, they use all possible resources available to reduce the harm or threat and assess their likelihood of success (secondary reappraisal) (Aitken & Crawford, 2007; Lazarus, 1966; Smith & Lazarus, 1990). Such a gap between expectations and the growing reality of a business in Descent creates stress (Horowitz, 1997; Janoff-Bulman, 1992). Experiencing stress triggers coping behaviours (Folkman, 1984; Folkman & Lazarus, 1980; Kahn, Wolfe, Quinn, Snoeck, & Rosenthal, 1964; Lazarus & Folkman, 1984 ; Lazarus & Launier, 1978), such as problem-focused coping, as the entrepreneurs look for ways to try and turn around the business by resolving its many problems. For example, Sarah states that during the Descent of her business, her time *"Was full between keeping everyone, all the stakeholders happy and trying to juggle all these things. [We] were getting thrown out by the council for creditors, for stretching payment terms, we didn't have the cash to pay people on time and then trying to juggle staff, to keep them in the loop, still deliver to monthly board meetings to keep the investor happy and everything kinda crushed together at once"*.

Entering the process of deciding to close the business is itself a solution to close the expectation gap. During this stage, problem-focused coping was not triggered or needed. For example, in a study of college students taking mid-term exams, Folkman and Lazarus (1985) found a dramatic decrease in the use of problem-focused coping once the exam was over. At that stage "Nothing more could be done to change the outcome of the exam at Time 2" and students had "nothing to do but wait".

The use of problem-focused coping escalated in subsequent stages. For some (Matthew, Geoff, and Nick), this occurred during the Closure stage and for others it occurred during the Re-emergence stage (David, Drew and Nancy). For example, Matthew relied little on problem-focused coping during the Decision stage *"I wasn't in any way happy about what had happened but on a personal level I could feel, I couldn't do anything about this anymore"* but he used problem-focused coping again in the Closure stage: *"The easiest thing for me to do, to move on, and to try and fix, that is, to almost recreate a better version of what we had, because it's we know, we know the sector, the buyers you know, a lot of the value is actually in the knowledge that we have."*

An example of the emergence of problem-focused coping in the Re-emergence stage is Drew who noted that *"I'm actually – I'm very bad, if I go home at night, I just sit with my lap-top on – doing stuff"*. Graham and Sarah used problem-focused coping through the first three stages with a drop in use during the Recovery stage. For example Graham describes how "*When I saw the inevitability, of what was happening*" during the Descent of his business he *"Very quickly, thought well, started planning for the future. I probably said well, what am I going to do? I saw some opportunities that we were currently working with that I thought well actually if I can deliver that then, that gives me something."* While of the Re-emergence stage he says *"I'm happy doing what I'm doing. I'm making a bit of money"*.

An explanation for the divergence in the use of problem-focused coping in subsequent stages is that some entrepreneurs (Matthew, Geoff and Nick) rapidly appraise a gap between the expectations of closure based on the decision to do so and the actual implementation of these closing activities, whereas some entrepreneurs are slow to do so. There are some indicators that Nancy and Drew had a low gap between the plan for closing the business and the implementation of this plan. For example, Nancy indicated that she was demotivated at the time of business closure and was unable and unwilling to implement the activities necessary to close her business:

"[It] was just motivation of just me trying to get my life back with my family to do it for my husband, to try and, you know my mum and dad were very encouraging about just getting it out of the way, just doing what I need to do and then, it'll all be done and can think about moving on. So it was very, much, a kind of a, I don't know, a bit of cheerleading going on with other people just to say, you know, what do you need to do, and, sort it out, and, ehm, but, it's really not easy I mean, you know what it's like yourself, kinda like you always do, when you've got a whole bunch of to-do lists has to do, it's always the horrible thing you leave to the bottom of the list ,and this was like a list of really horrible things, you know" while she also felt lost in terms of what she would do next *"I didn't know what I wanted to do with my career, or my job."*

But when it came to Re-emergence, Nancy and Drew expressed greater levels of stress, which triggered greater reliance on problem-focused coping. For Nancy this was triggered once she returned to her previous career. She explains how once re-employed *"I came back, and I was managing some really big projects. I stepped up in responsibility of the size of projects that I was managing even within a year."*

7.7 Summary

In this chapter, I discuss the dynamics of the business failure process. I begin by comparing Cope's (2022) model of the business failure process, with findings from the data analysis of this study, to identify four stages of importance that emerged from the narratives of the 13 entrepreneurs. These stages include the Descent, Decision, Closure, Re-emergence. I explain the nature, problems and characteristics of each stage, and include examples from the entrepreneurs' narratives. The chapter continues with analysis of how sensemaking, emotions and coping, unfold throughout the business failure process, building a richer insight and understanding of the business failure is experienced by the entrepreneur. The findings from this analysis, and their implications for theoretical development and future research are discussed further in Chapter 8.

Chapter 8 Discussion and Conclusion

8.1 Introduction

In this chapter, I analyse the findings derived in Chapters 6 and 7to the two main, overarching research questions of this study. They are "How does sensemaking occur after business failure?" And "How does the entrepreneur experience the process and emerge from business failure?" I start this chapter by summarising the findings of each set of research questions, discussing the theoretical contributions of these findings, and suggesting how these findings can be further developed in future studies of business failure. As with all studies, there are a number of limitations to this study and in section 8.3, I discuss the methodological and conceptual limitations. I also suggest how these limitations can be addressed in the future. I finish this chapter with an outline of the implications this study has for: entrepreneurs who experience business failure, for entrepreneurship education and how best to incorporate business failure into the entrepreneurship curriculum, and, for policy makers who can design enterprise policy to support entrepreneurs who experience business failure.

8.2 Key Findings (1)

In this section, I revisit the research questions derived in Chapters 2 and 3 and I discuss the corresponding findings from Chapters 6 and 7. For each research question I present the key findings derived from this study. I discuss how these findings contribute to theory, and suggest how the findings can be further developed in future studies of business failure. I begin in section 8.2.1 with the first set of research questions that were derived in Chapter 2 and the findings which were presented in Chapter 6. In section 8.3, I continue with an analysis of the second set of research questions that were derived in Chapter 3 and the findings of which were presented in Chapter 7. I finish each section with propositions for future research.

8.2.1 Research Question 1 (a): *How do entrepreneurs respond to business failure?*

The first question of this study contributes to our understanding of how entrepreneurs respond to business failure. It builds on the notion that entrepreneurs experience significant grief as a result of their business failing (Shepherd, 2003, 2009). The 13 entrepreneurs, whose narratives were analysed in this study, were small business owners, with a close relationship with their business. For many, their business was their only form of income, and by the business failing, they incurred significant financial, emotional and social costs. The cross-case data analysis that was conducted and explained in Chapter 6 revealed that while some entrepreneurs certainly bore significant grief over the loss of their business, this was not true for all. As with other traumatic life events (Janoff-Bulman, 1992), where individuals experience different levels of grief (Machin & Spall, 2004) over the loss of something important (Bonanno & Keltner, 1997; Prigerson et al., 1996; Wortman & Silver, 1989), this study found that business failure did not generate a universal emotional experience. Instead, business failure triggered complex emotional states (Lazarus, 1991), that is, the entrepreneur's responses held different combinations of negative *and positive* emotions, when their businesses failed. This study identified five different groups of entrepreneurs who experienced four different emotional states of: (1) moderate levels of negative emotions and moderate levels of positive emotions; (2) low negative emotions and high positive emotions; (3) high negative emotions and low positive emotions; and, (4) low negative emotions and low positive emotions.

These findings expand the current literature on entrepreneurial responses to business failure by highlighting the diversity of emotional responses that entrepreneurs experience. This study builds on prior research that considered heterogeneous reactions to business failure. For example, Shepherd, Wiklund, et al. (2009) explain why some entrepreneurs recover quicker from business failure and start new businesses, suggesting that differences in financial costs explain differences in the rate of recovery. Jenkins et al. (Forthcoming) suggest that grief is influenced by the entrepreneur's appraisal of loss of self-esteem, financial strain and loss of independence. While elsewhere with project failure, there has been analysis of heterogeneity of reasons for negative emotions over project failure. Shepherd et al.

(2011) identified that some scientists revealed close emotional bonds to the organisation and the projects they were working on, others did not. Much of the Shepherd et al. (2011) study addressed the relationship between the micro and the organisational levels. For example, different levels of grief were explained by the participating scientists' perceptions of how their organisations accepted their project failures.

For a small business owner, the relationship between the entrepreneur and the firm is far more intense. The owner-managers' grief over the failure of businesses is likely greater the longer they have owned and managed the business. This is explained given that the grief is greater over the loss of objects for which an individual has made sustained emotional "investments" (Jacobs et al., 2000). Further, the more importance attached by an individual to the object lost, the greater the level of grief (Archer, 1999). When the business plays a central role in the formation of the owner-manager's identity, then its failure is likely to generate high levels of grief (Belk, 1988). Future research can explore further the relationship between positive and negative emotions and potential reasons for heterogeneous responses.

> *Proposition 1: The higher (lower) the emotional attachment of the entrepreneur to the venture, the more likely they are to experience higher (lower) negative emotions from business failure.*

8.2.2 Research Question 1 (b): *How do entrepreneurs make sense of business failure?*

Learning from business failure has been explored, theoretically and empirically, from a sensemaking perspective (Cardon et al., 2011; Shepherd, 2009). Research has focused on the moderating role of emotions (Shepherd, 2003, 2009) and attribution (Mantere et al., 2013), with regards to sensemaking, exploring how recovery from business failure can be improved and accelerated. A conceptual understanding of the micro process of making sense of business failure is emerging (Shepherd, 2009), yet there has been limited empirical work exploring how this process unfolds (Cope, 2011).

This study analysed the levels of sensemaking amongst entrepreneurs, following the failure of their venture, and compared those who reported high levels of sensemaking and those who reported the low levels. From the data, I inducted that the entrepreneurs' narratives that displayed greater sensemaking, demonstrated greater cognitive capacity for sensemaking than others. Entrepreneurs who showed advanced cognitive processing skills such as heightened attention, and questioning beliefs and assumptions (Argyris & Schon, 1978; Cope, 2003; Schön, 1983). Sensemaking was facilitated by cognitive strategies that focused attention on the failure event and promoted self-reflection. These cognitive strategies included metacognitive abilities (Aleven & Koedinger, 2002; Flavell, 1979; Ford et al., 1998), analogical thinking (Hill & Levenhagen, 1995; Holyoak, 1985; Loewenstein et al., 1999), and cognitive complexity (Bird, 1988; Scott, 1962).

Cope (2011, p. 620) identified three interconnected components of learning, including "1) an initial hiatus, where the entrepreneur psychologically removes himself or herself from the failure in order to heal; 2) critical reflection, where the entrepreneur engages in a determined and mindful attempt to make sense of the failure; and 3) reflective action, where the entrepreneur attempts to move on from the failure and pursue other opportunities." In contrast to Cope's (2011) three components, the findings from this study focus less on the speed of recovery, and focus more on the cognitive and behavioural dimensions of sensemaking. Specifically, the study expands our understanding of the cognitive processes of scanning and interpretation and the behavioural application of action (Gioia & Chittipeddi, 1991; Thomas et al., 1993; Weick, 1995).

> *Proposition 2: The greater (less) time spent reflecting on events, pursuing complex cognitive exercises such as metacognition, analogical thinking and cognitive complexity, the greater (less) the cognitive and behavioural sensemaking from the event.*

8.2.3 Research Question 1 (c): *How do emotions influence the sensemaking process, after business failure?*

In addition to findings reported in 1(a) above, where I analysed different emotional responses to business failure, I also analysed how these emotions influenced the entrepreneurs' efforts to make sense of business failure (Bartunek et al., 2006; Myers, 2007; Sonenshein, 2009). Traditionally, the learning from failure literature has ignored the role of emotions (e.g., Baumard & Starbuck, 2005; Cannon & Edmondson, 2001; Sitkin, 1992). Those studies that have considered emotions, have emphasised the obstructive role of negative emotions in the sensemaking process (Ashforth & Kreiner, 2002; Shepherd, 2003). Yet, the sensemaking literature highlights how emotions significantly influence the sensemaking process (Bartunek et al., 2006; Myers, 2007; Sonenshein, 2009). For some, negative emotions are thought to prohibit learning (Bower, 1992; Dweck, 1986; Isen & Baron, 1991; Kumar, 1997).

Other sensemaking literature would suggest that some negative emotions are necessary to signal the need for sensemaking (Bower, 1992; Dweck, 1986; Kumar, 1997) and even trigger sensemaking (Maitlis, Vogus, & Lawrence, 2013). This study found evidence of this 'motivating' side of negative emotions. Rather than negative emotions obstructing sensemaking, this analysis revealed that negative emotions motivated entrepreneurs to make sense of their business failure experience (Clark & Isen, 1982; Forgas, 2003), and the entrepreneurs' narratives that reflected little negative emotional reaction to business failure, demonstrated little sensemaking about the loss. It would seem that high negative emotions motivated the entrepreneurs to make sense of the failure event.

> *Proposition 3: High negative emotions motivate entrepreneurs to make sense of business failure.*

Extending prior sensemaking literature, this study introduces positive emotions to the sensemaking from business failure literature. In positive psychology, recovery from negative experiences is explained in terms of psychological resilience—namely, the ability to "bounce back" from adversity (Fredrickson, 1998), including how positive

emotions "undo" negative emotions (Fredrickson, 1998; Fredrickson, 2001). The "broaden-and-build" framework (Fredrickson, 1998; 2001) is used to explain how resilient individuals with high positive emotions (and an ability to manage negative emotions) find meaning in stressful situations (Tugade & Fredrickson, 2004). Positive emotions have appeared in organisational literature, during stressful times. For example, with organisational change, several empirical studies have demonstrated that individuals do experience positive emotions during organizational change, such as excitement, joy, and hope (Brundin, 2002; Huy, 2002; Mossholder, Settoon, Armenakis, & Harris, 2000).

This study identified the adaptive and informative role of positive emotions in the entrepreneur's sensemaking process, after business failure. High positive emotions *informed*, the entrepreneurs' sensemaking efforts after business failure, as positive emotions engender ''more creative and flexible'' information processing (Maitlis et al., 2013). Together this combination of negative followed by positive emotions seemed to trigger metacognitive strategies amongst the entrepreneurs who expressed the greatest sensemaking. For example, entrepreneurs' narratives from the Now Feeling Good group, that reported making the most sense from their failure experiences, initially experienced high negative emotions and low positive emotions before progressing to low negative emotions and high positive emotions. However, individuals' narratives that consistently reported low negative emotions and high positive emotions (Feeling Good group)—those which displayed the greatest resilience—reported less sensemaking about their failure experiences. This demonstrates that in situations of stress and adversity (of which business failure is a good example), those with greater cognitive capacity can develop a deeper sense of sensemaking because they adjust their sensemaking by monitoring their progress and keeping their problems more in check (Ford et al., 1998).

> *Proposition 4: High positive emotions are most effective for sensemaking when they occur after negative emotions.*

8.2.4 Research Question 1 (d): *How do coping mechanisms influence the sensemaking process, after business failure?*

An individual's sensemaking process is influenced by how they manage their emotions (Folkman, 1984). Existing business failure research has considered how entrepreneurs manage emotions after business failure and has sought to identify a 'superior', or recommended, approach to overcoming negative emotions, to learn from failure experiences (e.g., Shepherd, 2003, 2009; Shepherd & Kuratko, 2009). Singh et al. (2007) assessed what coping mechanisms (emotion- or problem- focused coping) are employed to deal with the various costs of business failure. Cope (2011) identified that recovery and learning from business failure involve both avoidance and confrontation coping styles. In dealing with grief, specifically from business failure, Shepherd (2003) suggests that this dichotomous relationship can best be managed to facilitate learning by oscillating between a loss (i.e., confrontation) orientation and a restoration (i.e., avoidance) orientation.

In this study, I add to our understanding of how entrepreneurs cope with business failure, moving beyond coping with the grief of business failure (Shepherd, 2003; Shepherd, 2009), to consider the business failure experience as a whole. From this analysis, I found that while oscillation between a loss- and restoration- orientation, or emotion- and problem- focused coping, is considered a 'superior' or a recommended approach to overcoming negative emotions, to learn from the failure experience (Shepherd, 2003; Stroebe & Schut, 1999), oscillation did not occur for all entrepreneurs. Further, while all entrepreneurs' narratives displayed signs of problem-focused coping, only some narratives also displayed emotion-focused coping.

I also consider the influence of coping mechanisms on the entrepreneurs' ability to make sense of business failure. A dual process model of grief recovery from business failure (Shepherd, 2003) would suggest, those who experienced both emotion- and problem- focused coping (Now Feeling Good group), by processing their emotions (Lazarus & Folkman, 1984; Stanton et al., 1994) and managing the emotional distress associated with their situation (Carver et al., 1989), actually progressed the most in making sense of their failure experiences. The failure event and its associated

emotions produced greater cognitive analysis and reflexivity, and would seem to present a stable platform from which the entrepreneurs could progress. While the process of reducing and regulating negative emotions took these entrepreneurs some time, this "hiatus" (Cope, 2011; Mezirow, 1991) to reflect, seems to have triggered a deeper level of metacognition.

> *Proposition 5: Entrepreneurs who adopt primarily problem-focused coping strategies make less sense of business failure.*

> *Proposition 6: Entrepreneurs who adopt emotion-focused coping strategies after business failure make greater sense of business failure.*

8.3 Key Findings (2)

The second set of research questions sought to expand understanding of how the business failure process unfolds for the entrepreneur. Chapter 3 established how the notion of a business failure process is emerging in the business failure literature and suggests adopting a process approach to explore how the business failure process unfolds and how the entrepreneur experiences sensemaking, emotions, and coping throughout that process. Chapter 7 presented findings from the data regarding the stages of the business failure process and the rise and fall of sensemaking, emotions and coping throughout the business failure process. The following section addresses the second set of reach of these research questions and outlines the key findings, their theoretical contributions and propositions for future research.

8.3.1 Research Question 2 (a): *How does the process of business failure unfold for the entrepreneur?*

As was discussed in Chapter 3, research exploring the business failure process is in its infancy. Ucbasaran et al.'s (2013) review of the failure literature focuses on recovery from business failure. Further, Cope (2011) empirically analyses the entrepreneur's experience of business failure, from the aftermath of failure, to the

recovery from failure, and the re-emergence from failure. However, he acknowledges that the business failure process has two earlier timeframes, the descent into failure and the experience of managing failure, which he did not address empirically (Cope, 2011). These pre-failure stages have been analysed elsewhere at the individual level, using theory of commitment (Staw, 1981; Staw & Hoang, 1995) real options reasoning (McGrath, 1999) and affordable loss (Sarasvathy, 2008) to analyse the financial costs endured by the entrepreneur, how best to prevent financial loss, and the point at which the entrepreneur should close the business. Yet this pre-failure period and post failure, recovery, period have not been empirically explored together, and our understanding of how entrepreneurs experience business failure is fragmented.

As with the new venture creation process, the data show that business failure "is not a smooth, continuous, process" (Bygrave, 1989, p. 9). The findings, presented in Chapter 7, highlight that a business failure process does indeed exist. Rather than trying to adopt Cope's (2011) process, I explored the 13 entrepreneurs' narratives to identify the stages and events that were significant for them. While the semi-structured interviews with the entrepreneurs hinted at a very process of beginnings, middles and endings of the entrepreneurs' businesses, the interviews were more focused on capturing the entrepreneurs' stories of their experiences, which rarely ran in a neat time sequence.

The events that emerged as important to the entrepreneurs, based on the quantity and detail of their accounts around these events, were: (1) the descent of the business (Descent); (2) the decision to close the business (Decision); (3) the closure of the business (Closure); and (4) the re-emergence of the entrepreneur (Re-emergence). Where stages were similar to Cope's (2011) learning timeframes, the same terms were used, i.e. the descent of the business and the re-emergence of the entrepreneur. The stages differ when Cope (2011) refers to the experience of managing the failure and the aftermath of failure. There is no doubt that these are important dimensions of the business failure experience. However, the data from my study did not support these as two distinctive stages, and instead they correspond with the stage of business closure, derived from my analysis. Cope (2011) also refers to recovery from business

failure, as distinct from the re-emergence of the entrepreneur. Again, the data in my study made stronger support for one stage, which I refer to as the re-emergence of the entrepreneur.

With process models that adopt a stages approach, there can be a risk of the tail wagging the dog. That is to say, the focus can become more on identifying the definitive set of stages, rather than exploring the important dimensions of process, such as change and contrast between stages. The findings reported in Chapter 7 of this study, do not aim to predict a definitive set of stages that describe the business failure process (Levie & Lichtenstein, 2010). The fact that this study revealed four stages, not five, is intriguing but it is not the most important point. (For example, perhaps the decision to close the business was less obvious an event for Cope's (2011) cohort of participants). What is important is how the entrepreneurs in this study shared enough stories about the decision to close the business, that it was identified as a significant event, and the second stage of the business failure process, in these 13 entrepreneurs' narratives. Cope's (2011) study empirically explored eight entrepreneurs' experiences post business failure, and in his recommendations for future research he identified one timeframe that occurred prior to business failure (Descent of the business).

This study presents the first level of analysis of the business failure process, which presents a structured context from which future studies can explore the nuances of each stage in greater detail and future empirical research may find additional or different stages of the business failure process. Furthermore, the stages of the business failure process may be more fluid than a typical stage model might suggest. Levie and Lichtenstein (2010) suggest adopting a more "dynamic states" approach to explore firm growth. A dynamic state is a "network of beliefs, relationships, systems and structures that convert opportunity tension into tangible value for an organization's customers/clients, generating new resources which maintain that dynamic state" (Levie & Lichtenstein, 2010, p. 333).

> *Proposition 7: The business failure process involves dynamic configurations*
> *between the entrepreneur, the firm and the environment, from the descent of*

the firm, the decision to close, the closure of the firm, and the re-emergence of the entrepreneur.

8.3.2 Research Question 2 (b): *How does sensemaking unfold for the entrepreneur, throughout the business failure process?*

This study contributes to the growing interest in learning from business failure (Cope, 2011; Shepherd, 2003; Sitkin, 1992). Research on learning has focused on emotional barriers to learning from failure (Shepherd, 2003; Shepherd et al., 2011), learning outcomes (Singh et al., 2007), and the content and nature of learning tasks and timeframes (Cope, 2011). However, the actual sensemaking process and when it unfolds remains largely unknown.

Comparisons of change across the four stages of business failure identified in this study, reveal a number of new insights with regards to sensemaking. Following Denzin's (1970) informant triangulation principle, a pattern was identified if three or more entrepreneurs experienced the same movement from high to low, or low to high, from one stage of the business failure process to the next. This study identifies that sensemaking did not occur for the entrepreneurs during the decent of the business, nor as they decided to close the business. Instead, sensemaking occurred for these 13 entrepreneurs, only at the post failure stages. This finding provides empirical support for focusing on studying learning from business failure *after* the failure event (e.g., Shepherd, 2003; Shepherd, 2009; Shepherd, Wiklund and Haynie, 2009).

For half the entrepreneurs, the majority of sensemaking they reported took place almost immediately after the closure of the business. The remaining entrepreneurs needed more time as they began to re-emerge from the business failure experience. This implies that half the entrepreneurs needed more time after the business failure to make sense of the experience. This corroborates with sensemaking literature which suggests that sensemaking involves developing continuously evolving plausible reflective accounts that inform current action (Shepherd et al., 2011; Weick et al.,

2005). This finding also complements Cope (2011, p. 614) who refers to Mezirow (1991) to suggest that "learners need time to come to terms with problems faced before attempting to learn from them." The focus of this study's analysis was to identify the "when" of sensemaking, not the comparative value of sensemaking at each stage. Future studies could explore if the entrepreneurs, who took longer to reflect and make sense of the failure experience, learned *more* than those who reported most of their sensemaking shortly after the business failure.

> *Proposition 8: Entrepreneurs need time after business failure to scan for relevant information, process it, and learn from it.*

8.3.3 Research Question 2 (c): *How do emotions unfold for the entrepreneur, throughout the business failure process?*

There is longstanding consensus that emotion is a process (Folkman & Lazarus, 1985; Frijda, 1993; Gross, 1998; Lazarus, 1991; Smith & Lazarus, 1993). Yet much of the research on emotion and change (especially in an organisational context), examines emotions "primarily as a static feeling state and the notion that emotional reactions toward one key affective event may change overtime has been largely ignored." (Liu & Perrewé, 2005, p. 264). Liu and Perrewé (2005) suggest that future studies that seek to examine individual emotional experiences over a change process, "should view emotion as a more complex phenomenon than has been currently acknowledged" (p. 264). While Liu and Perrewe (2005) refer to change processes within an organisational setting, the same principles may apply to the entrepreneurship process.

Research on business failure has acknowledged the role and importance of negative emotions in the business failure experience. Yet, much of this work has assumed a single emotional state of negative emotions or grief (Shepherd, 2003; Shepherd, Covin, et al., 2009; Shepherd, Wiklund, et al., 2009). The focus on grief experienced by the entrepreneur *after* the business has failed (Shepherd, 2003) and the grief model of business-related failure, suggest that a failure event spikes negative

emotions that slowly dissipate over time. Yet Jenkins et al (Forthcoming, pg. 14) suggest that the business failure experience could be more dynamic and recommend future studies develop "a more fine-grained analysis of the emotions felt during the failure process."

My study examined how emotions, positive and negative, evolve across the four emergent stages of the business failure process. There were only discernible patterns across the four stages for negative emotions. The data of this study revealed that positive emotions lacked consistency amongst entrepreneurs across the business failure stages, and as such, positive emotions were omitted from the analysis. Regarding negative emotions, this study identified that entrepreneurs expressed a rollercoaster of negative emotions over the process of business failure.

Jenkins et al (Forthcoming, p. 14) suggest that "there could be a time lag between realizing the firm will fail and the actual failure of the firm (Shepherd et al., 2009). As a result, the time leading up to the failure could be particularly stressful." This study found that indeed, entrepreneurs' negative emotions tended to be high during the descent of the business and reduced as the decision was made to close the business. Once the closure had occurred, there was another rise in negative emotions, as the entrepreneur faced the challenge of what to do next. Negative emotions then faded away as the entrepreneur re-emerged from the business failure experience. This pattern corresponds with the rollercoaster of emotions that employees face and experience across the stages of the involuntary job loss process (Hurst & Shepard, 1986).

This finding, of the dynamic nature of negative emotions throughout the business failure process, reveals the extreme pressure points for entrepreneurs. The points at which the entrepreneurs experienced the highest intensity of negative emotions were during the descent of their business and as they implemented the business closure. The two timeframes, of the descent of the business and the implementation of the business closure, have received little attention in the business failure research. They are also difficult timeframes to explore empirically. Future research could consider the use of diaries, blogs, Twitter and text messages, as have been used in previous

entrepreneurship (Kato & Wiklund, 2011) and management research (Balogun & Johnson, 2004).

In Chapter 6 it was evident that positive emotions played an important role in making sense of business failure, as positive emotions "broaden and build" (Fredrickson, 1998; 2001) the cognitive capacity required for sensemaking. While this study found inconclusive patterns of positive emotions throughout the business failure process, future studies could find greater significance in the behaviour of positive emotions. Future research could explore the rise and fall of positive emotions and assess their relationship with negative emotions and sensemaking over the failure process.

> *Proposition 9: Entrepreneurs' emotions are dynamic throughout the business failure process and occur in response to events happening at each stage of the business failure process.*

8.3.4 Research Question 2 (d): *How do the entrepreneur's coping mechanisms emerge, throughout the business failure process?*

The business failure literature has primarily focused on the types of coping styles entrepreneurs employ (Cope, 2011; Shepherd, 2003), and the use of coping to manage different costs of business failure (Singh et al., 2007). Our understanding of how coping unfolds over the business failure process remains unknown. Previous studies have taken a static view on how the selection or emergence of a coping mechanism occurs for entrepreneurs. In this study I suggest that the coping mechanisms entrepreneurs employ following the failure of the venture, evolve over time following a dynamic process which "shifts in nature from stage to stage of a stressful transaction" (Carver et al., 1989: 270; Folkman and Lazarus, 1980, 1985; Folkman et al., 1986). However, there are limited studies that take a staged approach to coping in a stressful situation (Folkman and Lazarus, 1985). This study contributes to the coping and business failure literatures by illuminating a processual understanding of how the entrepreneur copes with the stressful loss event, from the time before the loss, to their recovery.

While I examined emotion- and problem-focused coping, across all stages of the business failure process, the data only revealed only a discernible pattern for problem-focused coping (where three or more entrepreneurs experienced the same change from low to high or high to low, from one stage of the business failure process to the next). Emotion-focused coping lacked consistency amongst entrepreneurs across the business failure stages, and as such, was omitted from this study. This analysis revealed an intensive use of problem-focused coping during the descent of the business, which subsided after the entrepreneur made the decision to close. The use of problem-focused coping increased again as the closure was implemented and then decreased as the entrepreneur began to re-emerge.

As theory of escalating commitment would suggest (Brockner, 1992; Ross & Staw, 1993), these findings indicate that the entrepreneur makes every effort to save their business from failing, and invests everything in trying to remedy the situation. These findings also suggest that once the decision to close the business has been made, either by the entrepreneur or by a third party, there is less the entrepreneur can do, and there are less problems for them to solve. This changes again as the entrepreneur begins to face the tasks of closing their business. The entrepreneurs in this study discussed these challenges in detail. The liquidation process can be demanding and on-going, demanding further attention from the entrepreneurs than they had originally expected. For some entrepreneurs there is a drop in problem-focused coping as the entrepreneur re-emerges, but for others, there is a sustained increase in problem-focused coping, where the entrepreneur faces the challenge of what to do next and tries to regain order in their life.

In partial agreement, Cope (2011) found that entrepreneurs use restoration dynamics (Shepherd, 2003) more immediately after the business failure, and when the entrepreneur has partially recovered from the hurt and trauma of the failure, they begin to use more loss-orientation dynamics. While this study found no recognisable pattern in the use of emotion-focused coping throughout the business failure process, future studies could explore the pattern of emotion-focused coping and identity the stages in which entrepreneurs engage in a more avoidance approach to coping.

Proposition 10: Coping is a dynamic experience that occurs throughout the business failure process, in response to challenges and emotions that the entrepreneur faces.

8.4 Theoretical Contributions

The following section outlines the key theoretical contributions this study makes to both failure literature and sensemaking literature.

8.4.1 Contribution to Failure Literature

Business failure literature, aimed at the individual level, builds on the notion that entrepreneurs experience significant grief as a result of their business failing (Shepherd, 2003, 2009). This study expands the current literature on entrepreneurial responses to business failure by highlighting the diversity of emotional responses that entrepreneurs experience. As with other traumatic life events (Janoff-Bulman, 1992), where individuals experience different levels of grief (Machin & Spall, 2004) over the loss of something important (Bonanno & Keltner, 1997; Prigerson et al., 1996; Wortman & Silver, 1989), this study found that business failure did not generate a universal emotional experience. Instead, business failure triggered complex emotional states (Lazarus, 1991), where entrepreneur's expressed different combinations of negative *and positive* emotions, when their businesses failed.

Emotions have an important role in sensemaking efforts (Bartunek et al., 2006; Myers, 2007; Sonenshein, 2009). Studies of business failure that have considered emotions, have emphasised the obstructive role of negative emotions in the sensemaking process (Ashforth & Kreiner, 2002; Shepherd, 2003). Other sensemaking literature would suggest that some negative emotions are necessary to signal the need for sensemaking (Bower, 1992; Dweck, 1986; Kumar, 1997) and even trigger sensemaking (Maitlis, Vogus, & Lawrence, 2013).This study found evidence of this 'motivating' side of negative emotions. Rather than negative

emotions obstructing sensemaking, this analysis revealed that negative emotions motivated entrepreneurs to make sense of their business failure experience (Clark & Isen, 1982; Forgas, 2003).

In addition to identifying the positive impact of negative emotions on efforts to make sense of business failure, this study adds positive emotions to business failure literature. The ability to experience positive emotions is thought to be central to human flourishing (Fredrickson, 2001). First, positive emotions are required to facilitate sensemaking (Huy, 1999; Maitlis & Sonenshein, 2010; Weick et al., 2005), as they expand thinking and reflection by broadening the scope of attention and thought-action repertoires (Fredrickson & Branigan, 2003; Isen, 1987a, 2000a). In addition, as they require less effortful processing systematic thinking than negative emotions (Forgas, 2003), they assist a more efficient decision making process, while promoting creativity, flexibility and problem solving (Isen & Daubman, 1984; Isen, Daubman, & Nowicki, 1987). The findings of this study indicate that positive emotions indeed played an important role in the recovery and re-emergence of the entrepreneur. Yet, in contrast to the positive psychology literature, this study indicated that positive emotions had greater impact, when they followed negative emotions. Those who experienced higher levels of positive emotions throughout the business failure experience, displayed average and mixed levels of sensemaking.

My second major contribution to business failure literature is with unravelling the process of business failure. Business failure is often portrayed as an event that happens at a moment in time, with the outcome of the entrepreneur re-emerging successfully to start a new business, or else failing to recover (Hayward et al., 2010; Minniti & Bygrave, 2001; Nielsen & Sarasvathy, 2011). Yet, re-emergence for the entrepreneur is only one sensemaking step on "the failure continuum" (Holmberg & Morgan, 2003, p. 405). In the intervening stages of the "transformative process" (McMullen & Dimov, Forthcoming, p. 2) of business failure, the entrepreneur faces many junctures or stages that have not been empirically explored, or have only been partially explored in the failure literature (Cope, 2011).

Research on the process of business failure has focused on the "downward spiral" of the firm and industry (Venkataraman et al., 1990), as well as early warning indicators and predictors of bankruptcy (Altman, 1968; Ohlson, 1980; Zmijewski, 1984) and business failure (Sharma and Mahajan, 1980; Dimitris et al, 1999; Balcaen et al., 2006). This downward spiral process has typically been explored at the individual level, through theories such as the escalation of commitment (Staw 1981; Shepherd et al., 2009), real options reasoning (McGrath, 1999), and the affordable loss principle (Sarasvathy, 2008; Dew et al., 2009), explaining how the entrepreneur manages the demise of their business including the point at which they should close it, to limit their personal and financial exposure (Shepherd, Wiklund and Haynie, 2009). Studies focusing on the life of the entrepreneur post business failure, focus on the business failure event, the aftermath, the social psychological processes of business failure, and the outcomes as presented in Figure 1, Chapter 1 (Ucbasaran et al., 2013). Combining the *before* and *after* of business failure, to explain how business failure is experienced by the individual entrepreneur, I identify the key problems or events that the entrepreneur faces, throughout the business failure process, highlighting the entrepreneur's responses to those problems, at that time, highlighting the change in sensemaking, emotions and coping throughout the entire process.

8.4.2 Contribution to Sensemaking Literature

Emotions play an important role in the sensemaking process (Bartunek, Rousseau, Rudolph, & DePalma, 2006; Myers, 2007; Sonenshein, 2009). Yet despite their impact on sensemaking, they are often omitted from sensemaking research, or are often portrayed as an impediment (Maitlis & Sonenshein, 2010).With negative emotions, there is much debate about the value and potential damage of negative emotions. Negative emotions act as both punishments and warnings (Elfenbein, 2007), and they can have an adverse impact on sensemaking activities (Daft & Weick, 1984; Shepherd, 2009). However, not all negative emotions are harmful. Psychology research has found that some negative emotions are necessary to signal the need for sensemaking (Bower, 1992; Dweck, 1986; Kumar, 1997). As for

positive emotions, they are required to facilitate sensemaking (Huy, 1999; Maitlis & Sonenshein, 2010; Weick et al., 2005), as they expand thinking and reflection by broadening the scope of attention and thought-action repertoires (Fredrickson & Branigan, 2003; Isen, 1987a, 2000a). In addition, as they require less effortful processing systematic thinking than negative emotions (Forgas, 2003), they assist a more efficient decision making process, while promoting creativity, flexibility and problem solving (Isen & Daubman, 1984; Isen, Daubman, & Nowicki, 1987). However, positive emotions can also lead to more passive sensemaking. Positive emotions tend to be less of a signal that something may be wrong (Foo, Uy, & Baron, 2009) and feelings of certainty are an internal cue that one is already correct and accurate, and may also suggest that further processing is not necessary (Tiedens & Linton, 2001). As people tend to place more weight on negative than positive information (Barsade, 2002), positive mood can lead to heuristic shortcuts rather than systematic processing (Martin, Ward, Achee, & Wyer, 1993).

Rather than comparing the pros and cons of emotions on sensemaking, this study found positive and negative emotions can act in concert to facilitate sensemaking. The data revealed that rather than occurring simultaneously, when emotions were experienced in sequence, they best aided sensemaking. Sensemaking was further assisted by the use of the most appropriate coping mechanism, for the person-environment fit (Folkman, 1984). For example, those who experienced high negative emotions after business failure reduced negative emotions through the deployment of emotion-focused coping, as the identification and working through of emotions, reduced the extent of emotionality (McQueeney, Stanton, & Sigmon, 1997). Once these had been managed, the use of problem-focused coping in with positive emotions, allowed the entrepreneurs to create new goals and commitment, prevented feelings of helplessness and instead trigger a greater sense of control through generating feelings of challenge and hope, (Carver et al., 1989; Folkman & Stein, 1996; Klinger, 1998; Taylor, Helgeson, Reed, & Skokan, 1991). Therefore, in addition to the powerful role of emotions on sensemaking, this study found the way in which those emotions were managed through emotion and problem focused coping, further facilitated the entrepreneurs ability to make sense of business failure.

8.5 Limitations and Future Research

As with every study, there are a number of limitations to this study. The following sections outline methodological and conceptual limitations to this study, while also identifying directions for future research.

8.5.1 Methodological Limitations and Recommendations

This is a small, but in-depth, exploratory study. While this sample of 13 entrepreneurs corresponds well with other empirical, exploratory studies of business failure and entrepreneurs who have experienced business failure (where the average number of participants is 5.5), it is still a relatively small sample. As such, the results of this study are tentative and a larger sample is needed to test whether these findings are generalizable to other entrepreneurs who have experienced business failure. Yet this study has given greater insight into sensemaking from business failure and the business failure process, contributing to theoretical development in this area (Yin, 2003b). Thus, the empirical findings of this study can inform the theorisation process of future, larger scale empirical studies.

Another limitation of this study is it aims to capture the meaning and unfolding of the business failure process, without conducting longitudinal research. Longitudinal research is lauded as being an appropriate way to research processes (Poole et al., 2000; Van de Ven, 1990; Van de Ven & Poole, 2005) and also firm-level business failure (Venkataraman, Van De Ven, Buckeye, & Hudson, 1990). A longitudinal study would have undoubtedly provided excellent data, from which findings could have been reported with greater assertion and confidence. Capturing emotional transition as it unfolds over time could generate even further, fine-grained findings. Longitudinal studies may also hold value for the participating entrepreneurs. For example, when researching individuals affected by involuntary job loss, DeFrank and Ivancevich (1986, p. 13) found that time between interviews was an important dimension, as a 'follow-up period' allowed the respondents space to reflect in

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between interviews. This type of developmental capacity of business failure research would also be interesting to explore.

Despite the value that could be gained from a longitudinal real-time study, there are many challenges in doing so. It is notoriously difficult to identify, contact, and locate entrepreneurs of failed businesses at the time of failure. This difficulty arises due to the cessation of business records and business contact details as well as changes in personal contact details due to the loss of homes in the wake of bankruptcy. Additionally, it is understandable that entrepreneurs tend to be reluctant to share (what are often) intensely painful events as they experience them. This is especially true if aiming to explore the unfolding of the process of business failure. Identifying entrepreneurs to participate as they face the constant worry of rescuing their business might be difficult. For example, the entrepreneurs of this study who used Twitter showed a considerable drop in Tweeting during the descent of their business, and their Tweets showed no reference to the struggles of the firm. They were also slow to Tweet, after their businesses closed. Perhaps this explains why empirical studies that consider events prior to business failing, such as deciding at what point to cut losses and close the business (Gimeno et al., 1997), remain separate from studies that consider the life of the entrepreneur, after business failure (Jenkins et al., Forthcoming).

A related shortcoming of this study is its reliance on retrospective accounts of business failure. Like much of the research on trauma and loss, this study largely depends on the accuracy of participants' accounts. There are many opponents of this style of research who identify various biases that infiltrate participant's accounts, and that affect the findings and true picture of what happened and how events unfolded (Beaver & Jennings, 2005; DeTienne et al., 2008; Fischhoff, 1975). While I corroborated interviews with media, administrative, and public legal material to create robust cases for analysis, the focus of this study was always on sensemaking, where the key premise is *plausibility* over *accuracy* (Maitlis et al., 2013; Weick, 1995). Furthermore, it was clear from the interviews that the entrepreneurs had little problem remembering the details surrounding this personal, highly impactful event. Therefore, this study has not sought to prove or disprove the entrepreneurs'

narratives, instead the study is more focused on how the entrepreneurs accounted for the experience. However, future studies that seek greater accuracy, as well as testable constructs, could use existing measures for scanning, interpreting and learning, emotions and coping.

Future studies that would like to examine the accuracy of the entrepreneur's accounts can also consider conducting research with multiple stakeholders. If adopting this approach, it would be interesting to borrow from organisational change literature, where there is an impetus to include multiple stakeholders' views of organisational change (Clausen and Olsen, 2000; Buchanan and Dawson, 2007) while also considering the impact of change on a wider basis. This type of study would present many welcome developments in the failure research, which are discussed below in the next section.

8.5.2 Conceptual Limitations and Recommendations

This section outlines conceptual limitations of this study, and identifies areas for future and further research. First, this study focused on three constructs considered central to the individual's experience of business failure: sensemaking, emotions and coping. This study examines these constructs from two different perspectives. The first perspective adopts a sensemaking approach, and the second perspective adopts a process approach. While these perspectives have remained separate for the purpose of this study, future research could adopt a variance approach (Zahra, 2007), exploring the relationship between sensemaking, emotions and coping, at each stage of the business failure process. Sensemaking was the dependent variable for the first part of this study, with the independent variable of emotions and a moderator of coping. Examining the nature of these relationships in the context of different stages of the business process, would examine how robust the relationships between sensemaking, emotions and coping – analysed in Chapter 6 – actually are in different settings, and time frames, as each stage of the business failure process will present a different pressure that must be addressed. For example, future research could explore why some entrepreneurs learned earlier (during closure stage) than others (during

recovery stage). Further research can also determine whether those who learned earlier (relative to those who learned later) had superior sensemaking skills, used a more oscillating approach to grief, were less emotionally attached to their business, and so on. Future research can also explore potential differences across groups of entrepreneurs, across the stages of the business failure process, and if and how entrepreneurs' emotional-states change and impact their coping, sensemaking, and entrepreneurial processes.

Second, this study builds on sensemaking literature, which refers to the influence of positive and negative emotions on sensemaking — without identifying or discussing specific emotions. However, using the umbrella terms of positive and negative emotions is not unusual in sensemaking literature. For example, Maitlis et al. (2013) discuss emotions in terms of how positive/pleasant or negative/ unpleasant the emotion is (Watson & Tellegen, 1985). Identifying and comparing specific positive and negative emotions would be interesting in future studies, in particular comparing the intensity and frequency of certain emotions over others, throughout the business failure process. Therefore, future studies can build on this analysis and explore in greater detail the unfolding pattern of specific discrete negative and positive emotions.

Third, there are many associated constructs whose impact on making sense of business failure could also be considered. For example, attribution (Cardon & McGrath, 1999; Mantere et al., 2013) and emotional intelligence (Shepherd, 2009) have been identified as important to the sensemaking process after business failure. Another important influence on the entrepreneur's ability to make sense of business failure is their eroding and evolving sense of identity (Charmaz, 1994; Pals, 2006). Future research could consider the entrepreneur's internal interpretation of their identity and their deconstruction and reconstruction of meaning, and examine the identity work the entrepreneur undergoes following the business failure event (Ashforth & Kreiner, 1999; Murnieks & Mosakowski, 2007). Future research could also explore how the entrepreneur sees their identity transition amongst their social groups and society (Gioia, 1998; Tajfel & Turner, 1979) and how this results in real and perceived stigma (Cave, Eccles, & Rundle, 2001; Simmons & Wiklund, 2011;

Wiesenfeld, Wurthmann, & Hambrick, 2008b) for the entrepreneur during and after business failure.

Fourth, this study focuses exclusively on the entrepreneur's experience of business failure. Yet entrepreneurship can be considered an embedded socio-economic process (Jack & Anderson, 2002), where entrepreneurs belong to networks that extend beyond the individual entrepreneur to a wider social context (Jack and Anderson, 2002). Business failure, as a change event, is therefore multi-authored (Cope, 2011; Buchanan & Dawson, 2007; Tsoukas & Chia, 2002) and may be interpreted and experienced differently by the entrepreneur and others, such as financiers, family and friends (Cardon et al., 2009; De Tienne et al., 2008; Manterre et al., 2013; Cope 2011). While investigating the individual entrepreneur's experience of business failure was indeed the purpose of this study, "single voiced narratives" (Buchanan and Dawson, 2007, p. 674) fail to account for the fact that the same event can be written and accounted for from many different perspectives (Clausen and Olsen, 2000; Buchanan and Dawson, 2007). Future research could consider the different social constructions of business failure and how the entrepreneur's social connections are affected by, and make sense of, business failure. Two immediate groups that entrepreneurs referred to during this study, as being significantly affected by the failure, were the entrepreneurs' families and their staff.

Shepherd (2009) has identified the entrepreneurs' family as integral to the entrepreneur's recovery – albeit in the context of a failed family firm. Nevertheless, the impact of business failure on the entrepreneur's family is an important dimension of the entrepreneur's experience of business failure. In my study, every participant volunteered their family as a source of both concern and support. Future research could consider further the interplay between the entrepreneur, the business failure, and their family. Of particular interest would be emotional contagion (Barsade, 2002) between the entrepreneur and their family, and vice versa, and how this affects their well-being and entrepreneur's decision making process during the business failure process.

It is also important to think of the impact of failure on the staff of the failed venture. Many of the entrepreneurs in this study discussed how demanding relationships with staff, investors, and family were, as the business was in decline and throughout the failure process as a whole, as with entrepreneurs downsizing (Bean & Hamilton, 2006; Hurst & Shepard, 1986; Mishra & Spreitzer, 1998). Most entrepreneurs discussed how staff compounded the difficult decision to close the business, in terms of the entrepreneur prolonging the closure in dread that their staff would be redundant. Some entrepreneurs even focused on securing employment for their staff jobs following the closure of the venture, neglecting to do the same for themselves.

Taking business failure as an extreme context to explore a more socially embedded sensemaking processes of organisational change, future research can draw on the organisational change literature (Buchanan & Dawson, 2007; Liu & Perrewé, 2005; Thomas et al., 2011; Tsoukas, 2005) to consider how the entrepreneur manages their staff through the chaotic change they face before, during and after the failure event. Throughout the business failure process, it is likely the entrepreneur makes sense of an altered vision of the organisation, and communicates, champions, interprets efforts and influences stakeholders, to accept the new reality the venture faces (Gioia & Chittipeddi, 1991).

Furthermore, unplanned, organisational change is said to create emotional turmoil for employees that is difficult for them to handle (Liu and Perrewe, 2005). Future research can explore how entrepreneurs, as CEOs, manage the inevitable and definitive changes their employees face. For example, organisational change literature recommends that smooth and effective change can be achieved through consideration of employees' emotions, inclusive communication, greater employee participation in the change and decision-making process; and time for employees to make sense and emotionally adapt (Huy, 2002; Liu & Perrewé, 2005).

Consulting job loss literature, Kinicki et al. (2000) suggest that the preceding events and the transition process prior to the termination are profoundly important for the employees (Latack & Dozier, 1986). Their perception of procedural fairness, advance warnings, and the professional approach of the organisation to the

termination (Gowan & Gatewood, 1997; Latack & Dozier, 1986) influence the individual's cognitive appraisal of the situation. However, within an entrepreneurial firm, this and previous studies (Singh et al., 2007; Cope, 2011) have shown how entrepreneurs face extreme pressure themselves and are often operating in a highly pressurised and confidential environment, particularly as they face fears of over trading. Therefore, despite concerns for employees, their capacity to manage employees' emotions may be limited. Future research could explore this conflict and its impact on both the entrepreneur and their employees.

8.6 Implications: Practice, Education and Policy

The findings of this study can inform entrepreneurial practice by providing best practices on (a) how to be prepared for business failure, and (b) how to benefit from the business failure process. Further, given the increasing attention business failure has received from entrepreneurship academics and policy makers, this study holds significant implications for these audiences.

8.6.1 Practice

For the practitioner, the entrepreneur whose loss after failure can be likened to grief, there is a need to address the negative emotions that impede their sensemaking journey and ultimately their entrepreneurialism. It is evident from this study that entrepreneurs endure pain and suffering from the experience. On the positive side, research on entrepreneurial learning supports the link between critical transformational events and greater sensemaking potential. Therefore, failure provides a significant opportunity for establishing a greater understanding of the sensemaking and recovery processes.

Also for the entrepreneur, fear of failure is a widespread deterrent for individuals starting businesses, and for many entrepreneurs in business (Patzelt & Shepherd, 2011). While business failure is indeed unpleasant, with many negative

repercussions, there is more to fear when there is little understanding of what failure involves. There is a current wave of interest in entrepreneurial exit and business failure (Jenkins, Brundin, & Wiklund, 2010). I suggest that the more research occurs on business failure, the greater the awareness and the understanding of what entrepreneurs may face if their business fails, and what they will go through if they experience business failure.

Additionally, research on business failure also contributes to a growing societal need to understand failure (Robinson, 2007). Society needs to know how to accept, cope and handle people whose businesses have failed. Research on business failure can also inform media and how we publicise and revere the concept of "success" (Cardon et al., 2011). There is a current wave of interest in entrepreneurial exit and business failure (Jenkins et al., 2010). With greater attention, discourse and research, societal understanding and tolerance of failure is likely to improve in cultures which have been traditionally hostile (Cardon et al., 2011; Levie et al., 2010).

8.6.2 Entrepreneurship Education

The findings from this study are also relevant to entrepreneurship educators and may inform entrepreneurship education, as there is an absence of information on business failure in entrepreneurship education literature, texts and pedagogical practices (Shepherd, 2004). Business failure could become a bigger part of the curriculum, rather than an afterthought or add-on as the flip-side of entrepreneurial growth. This study informs entrepreneurship educationalists who can raise awareness of the challenges and opportunities future entrepreneurs may face if they experience business failure. Greater awareness for what to expect if a business fails, might prepare entrepreneurship students better for the event of failure and equip them in what to expect if it happens to them and what re-emergence involves.

Furthermore, this study found that entrepreneurs who experienced greater emotionality (both negative and positive emotions) over the business failure experience, also seemed to learn the most. This study also found that entrepreneurs

who exercised greater cognitive capacity were better positioned to make sense of their experiences. While Shepherd (2004) suggests that entrepreneurship educators could focus more on how students "feel" rather than on how, or what, they "think," the findings from this study suggests that both "thinking" and "feeling" should receive greater merit in entrepreneurship curricula. For example, in addition to developing techniques to identify and manage emotions, students could also be encouraged to develop greater cognitive dexterity (Mitchell et al., 2008), in particular with regards to cognitive mechanisms discussed in Chapter 6, such as metacognitive awareness, analogical thinking, and cognitive complexity (Aleven & Koedinger, 2002; Bird, 1988; Flavell, 1979; Ford et al., 1998; Hill & Levenhagen, 1995; Holyoak, 1985).

8.6.3 Enterprise Policy

Future research at the macro level could consider the nature of policy support and information for entrepreneurs, throughout the business failure process. Enterprise policy is heavily focused on new venture creation and growth. Yet, very little attention has been paid to those whose businesses have failed. This is surprising considering both the high rate of business failure in most economies, and the benefits business failure is said to hold for the individual (Shepherd, 2003), the economy (Knott & Posen, 2005), and society as a whole (Mason & Harrison, 2006).

Entrepreneurs learn from peers and use their networks to obtain resources (Cope, 2005; Jack & Anderson, 2002). This more socialised depiction of entrepreneurial learning suggests that entrepreneurs are embedded in communities of practice (Cope, 2005). This embeddedness, with relationships and connections to others in the community (Handley, Sturdy, Fincham, & Clark, 2006), provides social support, which is thought to bolster self-esteem and reduce the psychological impact of stress (Thoits, 1986). However, after business failure, entrepreneurs are often displaced from professional networks (Singh et al., 2007; Cope, 2011) and typically progress through business failure in isolation. Previous studies have highlighted how

entrepreneurs of business failure need greater support (Cope, 2011; Cope et al., 2008; Shepherd, 2003). The findings from this study echo this sentiment.

Enterprise networks provide support for individuals who share similar challenges e.g. female entrepreneurs, academic entrepreneurs, ethnic minority entrepreneurs. The principle of such targeted support is that "individuals are more likely to compare themselves with and affiliate with others who have faced the same stressful circumstances" (Thoits, 1986:420). There is the belief that "distressed individuals feel that others who have experienced the same situation are most likely to really understand" (Thoits, 1986, p. 420). This is the underlying principle of group counselling, where grief is lessened by helping others in similar situations (Humpfrey and Zimpfer, 2008). The principle of group counselling is that "There are many stories to be told if someone has the time and patience to listen" (Graves, 2009, p. 35). By talking and telling stories an individual gradually finds a way of making sense of what has happened (Graves, 2009). In bereavement terms, sharing stories helps the bereaved see a bigger picture of their loved one, a wider view of their loved one's life, and a story that is bigger than the loss of their loved one (Graves, 2009). This helps them work on their own way of responding and bridging the past with the future, in an intelligible fashion (Neimeyer, 2001). While these stories can be shared with people who knew the deceased, they can also be shared with someone who didn't, as speaking to a stranger gives the bereaved an opportunity to talk without having someone contradict them, and it allows them to integrate information in whatever way they choose (Graves, 2009).

By recognising the universality and the common aspects of grief, group workshops can provide a bond and a sense that no one member is alone in grief (Humphrey & Zimpfer, 2007). In this environment, participants learn from each other, and realise that mourning will not be forever. Therefore, this study recommends that enterprise policy could support entrepreneurs, who have experienced business failure, to achieve greater embeddedness (Johannisson, Ramírez-Pasillas, & Karlsson, 2002), post failure, by helping to create a new community, that entrepreneurs of business failure can be part of, and have affiliation with others who have experienced the same distress.

How can this be achieved? Jenkins et al (Forthcoming) compare the entrepreneur who has experienced business failure to job loss for the employed and suggests greater support activities and compensation would assist entrepreneurs after business failure. With job loss, social support plays a significant role in coping with job loss (Kinicki et al., 2000; Latack et al., 1995) and social support mechanisms such as parting ceremonies provide the opportunity for displaced organisational members to discuss transitions and anticipate the future (Harris & Sutton, 1986). Enterprise policy could develop entrepreneurial networks of support for entrepreneurs who have experienced business failure.

Yet not all entrepreneurs might want this type of collegiate, peer support and the counselling literature suggests that "some situational reactions prompt social avoidance rather than affiliation with others" (Thoits, 1986, p. 421). People can be reluctant to join groups as an individual can be hesitant because of fear that others will not view their issues as valid or important. Additionally they may still have feelings of unreality, numbness and a general desire to turn inward in their grief (Humphrey & Zimpfer, 2007).Furthermore, there may be feelings of shame or guilt, affiliated with failure, which the individual does not want to share with *anyone*. The individual can anticipate disapproval and rejection, and reject assistance (Thoits, 1986). Therefore, while support groups for failed entrepreneurs may be helpful, they may be challenging to encourage participation.

8.7 Summary and Conclusion

In this study, I explore the experience of business failure, at the individual level. Building on the growing corpus of work on learning from failure that has focused on emotional barriers to learning from failure (Shepherd, 2003; Shepherd et al., 2011), learning outcomes (Singh et al., 2007), and the content and nature of learning tasks and timeframes (Cope, 2011), I focus on three important dimensions of the individual's experience of business failure: the entrepreneur's sensemaking, their emotions and their coping approach. As a result, I develop a more refined understanding of how sensemaking from business failure, as a sensemaking process,

is influenced by the emotional experience entrepreneurs have following the failure of their venture and by the mechanisms they employ to cope with these emotions.

Secondly, by building on existing research (Cope, 2011; Ucbasaran et al., 2013), I identify the dynamic nature of the failure experience for entrepreneurs. By applying a process perspective to sensemaking, emotions and coping, I map and analyse changes in sensemaking, emotions and coping to portray the experience of business failure, for the sample of small business owners.

The study shows that business failure is as diverse an experience as the entrepreneurs who are experiencing it. This study captures the moments of pain, suffering, growth, as well as ambition, hope and optimism individuals experience. It draws inferences from the stories of individuals who have been through the experience and who have come out the other side, to advance theory development in the business failure literature. In conclusion, I highlight the need to re-examine models of entrepreneurship and business growth, which omit business failure and the re-emergence of the individual. I conclude with the suggestion for future researchers to take a more socialised view of business failure, and for enterprise policy makers to begin tailoring their support toward entrepreneurs who are experiencing business failure, as they have the potential to re-emerge and start new businesses.

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Appendices

Appendix A Letter of Introduction

"Business Failure and the Recovery Process"

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Research Description

This is an exploratory study of the business failure[8] experience and the subsequent process of recovery. It focuses on the entrepreneurs' transition from a typically negative experience to having a more positive position of learning, development and growth. It specifically seeks to understand the impact of business failure; the process of recovery; the factors that influence recovery and the needs of the entrepreneur during that process.

This study involves tentative face-to-face interviews with *any* entrepreneur who has experienced business failure. This will be useful for identifying emerging themes, shaping the framework and designing the next part of the study

Every care will be taken to protect the confidentiality of all participants. Pseudo names of individuals and their businesses will be used in the write-up.

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[8] Business failure is defined as "a business that has fallen short of its goals or become insolvent, thus requiring involuntary termination or discontinuation of the business" (Politis & Gabrielsson, 2009)

Appendix B Logic of Questions

Theory/ Construct	What I'm Looking For	Reference	Questions to Ask
Setting the Context of Business Failure			
Nature of business	Background, entrepreneur's story	Brown et al (2008) Polkinhorne (1972)	Can you tell me about your background? Can you tell me the story of your business?
Psychological attachment	Relationship between entrepreneur and their business	Pierce et al (2001) Cardon et al (2011)	To gauge from language used and energy of describing business. If not apparent, can ask, "What, would you say, the business meant to you?"
Context of business failing	Information on descent of business and challenges entrepreneur faces as the business is in demise	Cope, 2011 Gimeno et al (2008) Shepherd, Wiklund, & Haynie (2009)	Can you tell me about the events leading up to the closure of your business?
Impact of Business Failure			
Costs of business failure	Assess the cost of business failure for the entrepreneur	Singh (2007) Shepherd, Wiklund, & Haynie (2009) Cope (2011) Shepherd and Cardon, 2009 Gibb Dyer (1994)	What are the consequences of the business failing? How the business closure impacted upon you? Prompt for all costs: social, financial, emotional, psychological, physiological How have people reacted to the news? Can you give me an example of responses? How did that make you feel?
Confidence	Trying to gauge level of confidence and resilience	Hayward et al., (2009)	This sounds very tough. I imagine this would impact my confidence. (Showing advanced empathy, pause for response.)
Coping			
Coping	Assess form and use of coping strategies	Singh et al (2007)	That was a lot to deal it. It must have been difficult to manage it all. How did you cope?
Fear of failure	To see if a fear of failure has an impact on the way people cope with business failure	Vallant and Lafeunte (2007) Hindle (2004)	How did you perceive business failure prior to this happening to you?
Sensemaking			
Gaps/ Problems	Trying to understand the very moment of being stopped in a problematic situation ("gap-facing").	Savolainen (1993)	I know it's difficult to reflect back to this time, but can you identify what was particularly difficult and challenging for you, at the time? What were the constraints you faced? How has the journey been since? What new challenges have emerged since?
Previous experiences of sensemaking	The way they react to current loss is representative of way they reacted to previous losses	Loss literature (xxxx)	Can you compare this loss to any other loss you have experienced? Have you reacted in the same way?
Sensemaking/ Intuition Model	Assess personal expectations and motivational drives and social anchors	Sonenshein (2007) Nortier (1995)	Now that the event of business failure is behind you, what would you say are your expectations? How do you see the future? What motivates you now? Do you face any social pressures?

Theory/ Construct	What I'm Looking For	Reference	Questions to Ask
Sensemaking/ sensegiving and movement between these	Sensemaking: Trying to 'figure out' (442). What activities is the entrepreneur going through to make sense of their experience? Who is the entrepreneur convincing/ leading?	Gioia and Chittipeddi (1991) Maitlis and Lawrence (2007)	Can you tell me who else you think your business failing has affected? How has that impacted you?
Information seeking and use	Perception of opportunities and threats Identify where the entrepreneur is accessing information, what information they have, what gaps exist, where they seek it, how they disseminate it, how they utilise it, how they produce it	Savolainen (1993)	What are the opportunities and threats facing you now? Where did you search for information? Where do you continue to search for information? What information do you feel you need? Where have you been accessing information?
Timeline for sense-making	A time-line describing the situation step-by-step	Savolainen (1993)	And then what happened? And what happened next?
Sensemaking and knowledge	Identify barriers, constraints, enablers, needs and missing links in sense-making process after failure. Want to see what is knowledge, intuition, hunches, responses, evaluations, questions etc they have after failure	Savolainene (1993)	What questions did you have during your business failing? What strategies did you use to get answers? What kind of help did you want from answers? What barriers prevented you from getting help? How did answers help?
Attribution theory	Identifying cause of failure is important to sensemaking. Could explain coping behaviour	Heider (1958 in Hindle 2004: 586) Pezzo and Pezzo (2007) Cannon (1999) Cardon and McGrath (1999)	Why do you think your business failed? Do you blame anyone for the business failing?
Cognition			
Entrepreneurial cognition	Involves intention, scanning, interpretation, action and performance.	Forbes (1999) Nortier (1995)	How prepared were you for your business to close?
Transition			
Transition	Different stages of transition and different behaviours during different stages. Try identify the stage they are at (initial equilibrium, separation, crisis, rebirth, new equilibrium) and what their behaviour is/ was: reflexive, reactive, erratic, proactive	Nortier (1995)	How did these changes come about? What impact did they have on you/ how did you respond to them?
Direction/ Tolerance for ambiguity	Change is a process – where does the entrepreneur see themselves going What is their tolerance for ambiguity?	Nortier (1995)	Where are you heading? The future seems quite ambiguous. How are you finding that?
Process of Closure/ Failure and Recovery			
Recovery time	Factors that speed up and slow down the recovery time	Shepherd (2009)	How long is it since your business closed? How are you doing?
Approach to grief	Assess what approach they are using to grieve, whether it changes over. Assess if they are loss oriented and confront the loss, or restoration orientated and are distracted from thoughts about it.	Shepherd (2003; 2009)	Do you think about the business failure/ closure much? What do you think about? How have you been filling your time since the business closed? How did you respond to the loss?

Theory/ Construct	What I'm Looking For	Reference	Questions to Ask
Emotions	Assess emotional impact of business failure	Shepherd (2003; 2009)	When asking about challenges and events associated with business failure, follow up with "How did that make you feel?" Probe with, "The impact of business failure has been compared to grief – from your own experience, would you agree?
Social Interaction			
Social Interaction	Gauge if and how social interaction impacts the experience of business failure	Shepherd (2009)	Who do you talk to about this? Who has been supporting you during this? How have you been supported? Have you required support?
Role of family	Families have routines and norms in place for dealing with negative emotions and losses	Shepherd (2009)	Do you speak to your family about this? How are your family reacting? What kind of support are you receiving from your family?
Social groups	How much support does the entrepreneur receive from their social groups	Sing et al (2008)	Who has been helpful/ unhelpful? Why? How? What would have been a better reaction to your news? What would you like to see changed?
Advice	Who do entrepreneurs consult with	Gioia and Chittipeddi (1991)	Who do you ask for opinions/ advice etc?

Appendix C Excerpts from Research Diary

Excerpt 1: Research Diary

"My first analysis of Drew's interview focused predominantly on the content of this interview, and given that he speaks slower than some other participants and sometimes does not say very much or give very detailed answers, this produced scant enough information. However, re-visiting this interview taking a more psychoanalytic approach to the way in which Drew answers the questions was far more insightful. I noticed that he gives a sniff everytime he's annoyed or a bit embarrassed – it's almost like a tut."

Excerpt 2: Transcriptions

Interview with Mark, 32.48 mins, Pg 20:

- "Positive emotions: He moves on quickly with something he was grateful for: *"Thankfully for some of the staff I went to another company close by…. Talked to them and they took on the staff ….. and eh… took on the sales, some of it …."*
- This is problem-focused coping, this made him feel better
- He cared more about his staff than himself and what work he would
- His voice sounds more cheerful here, his pace of speech picks up and he sounds more upbeat
- He wants to go into this detail, rather than focus on the "pulling the plug"
- I don't interrupt and am interested in what stories he presents and in what way he wants to tell these stories.
- So far he has told mostly positive stories, a contextual overview of the industry setting the scene to explain how difficult the macro environment was for his business, There are two sentences on how it all became too much for him, and then he moves on to a positive dimension of the story, something he is proud of."

Excerpt 3: Research Diary

Interview with Drew 46.46 minutes, Pg 25:

> *"Ehm…. (sighs), never get involved with a start-up that's about to fail…*
> *(laughter).."*

- He takes a moment to answer this
- He says this, half joking, whole in earnest
- He says it quite slowly, as if giving serious advice
- I laugh here as I perceived him as being facetious, but perhaps I should have been more serious and explored this further (Drew, research diary, pg. 25).

Interview with Sarah and self-reflection on my questioning:

"I should have reflected something about all of this (Sarah has been speaking for almost 8 minutes detailing the last days of her business, the points of pressure she experienced, the decisions she faced and the factors that influenced the decisions she made) but instead I moved along with the interview, trying to get more details.

- Perhaps this is one example of where the one-off interviews were tricky, because I was trying to collect as much information as possible, so I was somewhat restricted from going too deep
- This may not have been an issue for some entrepreneurs e.g. Sam, but in this instance it may have been useful to explore further what she had just revealed or the way she revealed it, but instead I was focused on moving on with the next question.
- However, being honest, I feel a bit awkward trying to delve into some of this. I feel a bit uncomfortable asking her to reflect on something that has clearly wound her up so much."

Appendix D Construct Assessment Guidelines

Construct	Description of Construct	Assessment Guideline
Internal		
Positive emotions	Statements with underlying positive emotions. Not necessary to mention specific emotions but descriptions of events, exchanges or transactions can have underlying emotions of pride, happiness, hope, excitement, achievement, confidence, enthusiasm as evidenced by language, pace of speech, tone of voice, facial expressions and body posture.	High: The participant mentions the specific emotion. They use extreme reactions and the event they are describing is intense and the language used is also intense. Moderate: A combination of high and low examples. Events they describe may be notable, but they may not have expressed extreme reactions. Low: The participant does not mention an emotion specifically. Their language is passive and the meaning is implied. They do not seem that affected by the event they are describing.
Negative emotions	Anything with underlying negative emotions. Not necessary to mention specific emotions but description of events, exchanges or transactions can have underlying emotions of regret, anger, disappointment, frustration, loneliness, sadness etc. This is evidenced by language, pace of speech, tone of voice, facial expressions and body posture.	High: The participant mentions the particular emotion. They give many examples. The event they are describing is intense and the language used is also intense. Moderate: Combination of high and low examples. Events they describe may be notable, but they might not have reacted Low: The participant does not mention any negative emotion specifically. Their language is passive and the meaning is implied. They do not seem that affected by the event they are describing.
Cognitions	Looking for the way the participants think, what they think about, and patterns of thought, as well as self-reflection and analysis. This includes examples of: Insight into participant's mind-set; the metaphors they used; the language they use in describing the failure experience; their use of the term 'failure'; their awareness of self; issues relating to their identity; their motivation during the failure process and after closure; their approach to decision making; their decision to close; their reasons for starting the business; evidence of sensemaking.	High: Significant reference to own self-awareness, many references to 'I think' and 'I thought'. Use of metaphors and strong and descriptive language. Moderate: Mixture of high and low categories. Low: Little reference to what they think, how they think, self-awareness. Little evidence of reflection.

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Construct	Description of Construct	Assessment Guideline
Behavioural		
Emotion-focused coping	The defence mechanisms participants mention. Can include the participant's discussion or signs of denial and/or avoidance of a problem; signs of distraction; taking space to think, understand and reflect; not talking about the problem; wanting to be in isolation; needing time away. It can also include blame.	High: If they describe responding in any of these ways to what has happened. High number of entries and rich descriptions. Moderate: Inferred emotion-focused coping. Low: Little or no mention of reflecting on what was happening or any of these behaviours. Moving quickly to next project. Not acknowledging any sense of loss over closure and events. Extremely pragmatic and logical about what has happened.
Problem-focused coping	Focusing specifically on the source of the problem. Participant seems to have dealt with or describes dealing with the stressors, looking for solutions, looking to the future, and reacting to challenges. The participant shows evidence of trying to 'fix' situation. Little evidence of emotion, thinking or reflection. High motivation to start the business in the first place.	High: When the participant seems 'run off their feet' in describing events that happened and situations they now face. Evidence of a quick transition. Moderate: Combination of high and low entries. When they 'manage' to solve problems. When problems are solved but in a more passive or reactive way, rather than a proactive way Low: Unable to do anything about the situation. Constrained by negative emotions and reactions.
Learning & Sensemaking	When the participant makes recommendations for the future; when they are motivated to start another business; when they express shat they have learned about themselves, their business, relationships, people; what they have exercised through their new business, career; how they have changed practice; the advice they would give.	High: The participant expresses what they have learned and how they have changed their practices as a result of the experience Moderate: Mixture of high and low Low: Learning is inferred, they use general statements like "Yes, I have learned" but cannot identify what they have learned.

Construct	Description of Construct	Assessment Guideline
External Challenges		
Environmental	Challenging barriers participants faced or continue to face as a result of events occurring external to their firm.	High: The intensity of the challenge. The number of examples given. The language the participant uses to explain. The level of reaction the challenge triggers with the participant. Pace of speech, hand movements, length of descriptive passages. Moderate: Combination of high and low entries. Low: Few notable challenges mentioned. Challenges mentioned do not stimulate much reaction. Participant does not seem very put out by what happened.
Regulatory	The role that regulatory bodies such as the bank, institutional agencies such as HMRC, as well as enterprise agencies played in events that led to the business closing and have impacted the entrepreneur and their life since closure.	High: The number of agencies involved. The number of examples given. The language the participant uses to explain. The level of reaction the challenge triggers with the participant. Pace of speech, hand movements, length of descriptive passages. Moderate: Combination of high and low entries. Low: Few notable challenges mentioned. Challenges mentioned do not stimulate much reaction. Person does not seem very put out by what happened.
Financial	Sources of financial challenges; how financial challenges augmented/ created events that resulted in the business closing; discussion of personal finances and financial repercussions of business failure/ bankruptcy; on-going financial concerns with new business.	High: The level of financial challenge faced and level of financial debt (both outstanding and at the time) incurred. The financial challenge has deeply affected the participant as evidenced by the participant's response to the challenge. Moderate: Combination of high and low entries. Low: Little mention of financial challenge. Participant has recovered financially and little evidence of any long term impact of financial challenge on participant.
Social	The way in which the participant feels within society as a result of their business failing. Includes their impressions of how they are perceived publically, and their impression of the UK attitude towards business failure and entrepreneurs whose businesses have failed.	High: Strong sense of stigma as a result of business failing. Examples of this stigma and how it affects the participant. Moderate: Comparison between the UK and the US in how society responds to business failure. Low: No mention of feeling stigmatised. Indifference over what people might think about them or business failure.

Construct	Description of Construct	Assessment Guideline
External Support		
Personal	Discussion of the types and nature of support received currently and in the past. Personal support includes family and friends.	High: Much awareness of and reliance upon support from family and friends throughout the process of business failure. Moderate: Acknowledges their support, but does not say much about it. Low: Little support mentioned or basic description of support received. Little emotion expressed towards the support or source of support.
Organisational-professional	Support from within the business such as staff and business partners.	High: Much discussion of support received from within the firm, how staff responded and how they supported them throughout the business closure. Moderate: Acknowledges their support, but does not say much about it. Low: Little or no mention of staff.
Non-organisational professional	Includes professional support received external to the business including the bank, liquidator, investor, enterprise network, enterprise agency.	High: The participant mentions the support they received from these parties and what impact it had on them. Moderate: Participant acknowledges some support from external sources but the support played little role in their experience. Low: Participant does not mention receiving any support.

Appendix E Construct Assessments

	Name	Positive Emotions	Negative Emotions	Cognition	Problem-Focused Coping	Emotion-Focused Coping	Learning	Primary Challenges	Secondary Challenges	Support
1.	David	Low (2)	Low (3)	High (40)	High (31)	Low (11)	Moderate (13)	Social; Family; Strong (15)	Social; Staff; Strong (7)	Non-Organisational Professional; Low (4)
2.	Drew	Low (3)	Low (15)	Low (1)	High (10)	Low (1)	Low (11)	Regulatory: Moderate (17)	Social: Colleagues: High (13)	Non-Organisational Professional: Low (6)
3.	Geoff	High (10)	Moderate-Low (5)	Moderate – Low (14)	Low (1)	Moderate (12)	High (28)	External Environment: High (17)	Financial; Moderate (13)	Non-Organisational Professional; Moderate (6)
4.	Graham	High (8)	Low (6)	High (38) Malcolm: (16)	Moderate (20)	Moderate (30)	Moderate (31)	Financial; Moderate (13)	Social; Staff; Moderate (8)	Organisational Professional; Staff; High (14)
5.	Malcolm	Moderate (9)	Moderate (7)	Moderate (51)	Low (4)	Moderate (3)	Moderate (6)	Financial: High (9)	Social Colleagues: Moderate (2)	Professional Organisation: High (1)
6.	Mark	Moderate (18)	Moderate (8)	Low (74)	Low (32)	High (46)	Low (36)	Financial; High (32)	Social; Staff; High (2)	Personal; High (22)
7.	Matthew	Low (6)	Moderate (8)	Moderate (15)	High (20)	Moderate (28)	Moderate (19)	Finance; High (26)	Social; Family; High (11)	Non-Organisational Professional; Low (11)
8.	Max	Moderate (6)	Moderate (3)	Low (5)	Moderate (49)	Moderate (7)	High (21)	Regulatory: High (17)	External Environment: Low (8)	Non-Organisational: High (21)
9.	Myles	Moderate (7)	Moderate-High (8)	High (76)	Moderate (6)	High (19)	Low (16)	Financial; Low (19)	Social; Stigma; Low (3)	Non-Organisational Professional; High (15)
10.	Nancy	High (13)	High (17)	High (37)	Moderate (30)	High (55)	High (92)	Financial; High (27)	Environment; High (18)	Personal; High (20)
11.	Nick	High (13)	High (15)	Low (14)	Moderate (24)	High (11)	High (21)	Social: Colleagues: High (15)	Financial: Moderate (6)	Non-Organisational: Moderate (10)
12.	Sam	Low (1)	High (11)	Low (38)	High (34)	Low (14)	Low (23)	External Environment; Moderate (15)	Social; Staff; Low (7)	Non-Organisational Professional; Low (8)
13.	Sarah	Moderate (8)	High (37)	High (40)	High (40)	High (20)	High (39)	Financial; High (51)	Environment; High (45)	Non-Organisational Professional; High (13)

Appendix F Assessment Summary for 13 Entrepreneurs across Stages of Business Failure

	Construct	Stage	David	Drew	Geoff	Graham	Malcolm	Mark	Matthew	Max	Myles	Nancy	Nick	Sam	Sarah
Learning	Sensemaking	Stage 1	L	L	L	L-M	M-L	M-L	0	L	L	M-L	L-M	L	L
		Stage 2	L	L-M	L-M	L-M	0	0	0	L	M-L	L	L-M	M-L	L
		Stage 3	M-H	L-M	L-M	M-H	M-L	0	M-H	H	H	H	M-H	M-H	L-M
		Stage 4	M-H	L	M-H		M-H	M-H	H	H	M-H	H	M-H	H	H
Emotions	Negative Emotions	Stage 1	M-H	L	M-H	M-L	M-L	M-H	M-H	M-H	M-H	H	H	L	H
		Stage 2	L	L	M-H	M-L	M-L	M-H	M-H	M-L	L-M	M-H	L-M	L	H
		Stage 3	L	L-M	M-L	L-M	M-H	H	M-H	L	H	H	H	H	H
		Stage 4	M-H	M-H	L	L-M	M-L	M-L	M-H	-	M-L	L	L-M	H	H
	Positive Emotions	Stage 1	L	L	L	L-M	M-H	0	0	M-H	L-M	L	L-M	L	L
		Stage 2	L	L	L	H	M-H	M-H	M-H	M-L	M-H	L	L-M	L	L
		Stage 3	L	L	H	M-H	M-L	M-L	H	M-L	M-H	L	M-H	L-M	L-M
		Stage 4	L	L-M	H	H	M-L	M-L	M-L	M-H	H	H	M-H	L	L-M
Coping	Problem-Focused Cop1ng	Stage 1	L	M-H	M-H	M-H	M-L	H	H	M-H	M-L	M-H	L-M	H-M	H
		Stage 2	H	L	L	H	M-L	M-H	M-L	M-H	M-L	M-L	M-L	H	H
		Stage 3	L	L	M-H	M-H	M-L	M-L	M-H	M-H	M-L	L-M	M-H	M-H	H
		Stage 4	H	H	M-H	L-M	0	M-L	0	H	0	M-H	M-H	H	L
	Emotion-Focused Cop1ng	Stage 1	L	L	M-H	M-L	0	H	M-L	0	M-L	H	L-M	0	L
		Stage 2	M-H	L	L-M	L-M	M-L	M-L	0	0	L-M	M-H	H	L	L-M
		Stage 3	L	L	L-M	L-M	M-L	M-H	M-H	H	0	H	M-H	L-M	M-H
		Stage 4	L	L-M	L-M	L-M	M-L	H	M-H	M-H	L-M	L	L-M	L-M	M-H

Appendix G Patterns of Change in Constructs between Stages of Failure Process

	Construct	Stage	David	Drew	Geoff	Graham	Malcolm	Mark	Matthew	Max	Myles	Nancy	Nick	Sam	Sarah
Learning	Sensemaking	Stage 1	-	-	-	-	-	-	-	-	M-H	-	-	-	-
		Stage 2	L	-	-	L-M	-	-	-	L	LM	L	L-M	M-L	-
		Stage 3	M-H	-	L-M	M-H	M-L	-	-	H	M-H	H	M-H	M-H	L-M
		Stage 4	-	-	M-H	-	M-H	-	-	-		-	-	-	H
Emotions	Negative	Stage 1	M-H	-	-	-	-	-	-	M-H	M-H	-	H	-	-
	Emotions	Stage 2	L	-	M-H	-	M-L	-	-	M-L	M-L	-	L-M	L	-
		Stage 3	L	L-M	M-L	-	M-H	H	-	-	H	H	H	H	-
		Stage 4	M-H	M-H	-	-	M-L	M-L	-	-	M-L	L	L-M	-	-
	Positive	Stage 1	-	-	-	L-M	-	-	-	M-H	M-L	-	-	-	-
	Emotions	Stage 2	-	-	L	H	M-H	M-H	-	M-L	M-H	-	L-M	-	-
		Stage 3	-	-	H	-	M-L	M-L	H	M-L	-	L	M-H	-	-
		Stage 4	-	-	-	-	-	-	M-L	M-H	-	H	-	-	-
Coping	Problem-	Stage 1	L	M-H	M-H	-	-	-	H	-	-	M-H	-	-	-
	Focused	Stage 2	H	L	L	-	-	M-H	M-L	-	-	M-L	M-L	-	-
	Coping	Stage 3	L	L	M-H	M-H	-	M-L	M-H	-	-	M-L	M-H	-	H
		Stage 4	H	H	-	L-M	-	-	0	-	-	M-H	-	-	L
	Emot1on-	Stage 1	L	-	M-H	-	-	H	-	-	-	-	L-M	-	-
	Focused	Stage 2	M-H	-	L-M	-	-	M-L	-	-	-	-	H	-	L-M
	Coping	Stage 3	L	-	-	-	-	M-H	-	-	-	H	M-H	-	M-H
		Stage 4	-	-	-	-	-	-	-	-	-	L	L-M	-	-

Appendix H Positive Emotions over Stages of Failure Process[9]

	Name	Descent of Bus.	Decision to Close	Decision to Close	Closure of Bus.	Closure of Bus.	Recovery of Entr.
1.	David						
2.	Drew						
3.	Geoff						
4.	Graham						
5.	Malcolm						
6.	Mark						
7.	Matthew						
8.	Myles						
9.	Max						
10.	Nancy						
11.	Nick						
12.	Sam						
13.	Sarah						

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[9] Data are presented as black lines when there was a change between stages, with grey lines where there was no change between stages. Where there is no line, there was no data for this stage.

Appendix I Emotion-focused Coping over Stages of Failure Process[10]

	Name	Descent of Bus.	Decision to Close	Decision to Close	Closure of Bus.	Closure of Bus.	Re-Emer. of Entr.
1.	David						
2.	Drew						
3.	Geoff						
4.	Graham						
5.	Malcolm						
6.	Mark						
7.	Matthew						
8.	Max						
9.	Myles						
10.	Nancy						
11.	Nick						
12.	Sam						
13.	Sarah						

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[10] Data are presented as black lines when there was a change between stages, with grey lines where there was no change between stages. Where there is no line, there was no data for this stage.