

An empirical investigation of the impact of regenerative failures on entrepreneurial learning.

Summary

Is the failure of a company as inevitable as death? Doug Richards once said: “Success is simply failing really slowly.” (Doug Richards Key Note address, IEEC 2009, Edinburgh) What did he mean by this?

Specifically in the context of being an entrepreneur, is failure a necessary part of the learning process? This study aims to provide empirical evidence to Cope’s (2005) Framework of Entrepreneurial Learning. Drawing on a mix of qualitative and quantitative methods, using interpretive phenomenological analysis to help validate the framework, and a Delphi panel/set of focus groups to further develop a survey instrument. Research questions aim to investigate the impact of regenerative failures on the process of entrepreneurial learning [through failure].

Track

Track 4: Entrepreneurship

Word count

1909

Background

Examining Kolb's Experiential Learning of Development (1984), there are three stages: Acquisition, Specialization and Integration. Integration is described as either a gradual process of "awakening" or something that occurs dramatically as a result of a life crisis such as divorce or losing one's job (Kolb, 1984, Ch6 pp. 143-145). It is theorised that such crises would subject a person to internal reflection and a desire to not repeat mistakes, thereby inducing a change in behaviour.

This idea is expressed in Cope (2003). Cope interprets the conceptual framework of double loop learning (Argyris and Schön, 1978) as "involving the entrepreneur developing a renewed understanding or redefinition of organizational processes and strategies that are employed within his or her organization." As a contrast to this, Cope interprets the conceptual framework of transformative learning (Mezirow, 1991) as having "a distinctly personal dimension and has the capacity to stimulate considerable changes in the entrepreneur's self-understanding." (Cope, 2003, p. 437).

In a later paper, Cope (2011) integrates the idea of Gibb's (1997) generative learning (Gibb 1997), which refers to the application of new learning on a future event. This is what Kolb (1984) refers to in his learning spiral. From this he puts forward a conceptual framework of entrepreneurial learning. This framework takes experience and entrepreneurial preparedness as both input and output parameters, suggesting that there is a continuum of learning. Indeed, it would suggest that the learning that takes place through the discontinuous event of failure, could count towards entrepreneurial preparedness for the next venture (see figure 1).

The conceptual frameworks described above, give rise to the idea that a specific experience results in a lesson of fundamental impact. Specifically, with regards to entrepreneurs, it is the concept of learning from mistakes, and inevitably failure, that is of interest. It would be sensible to assume that each of these concepts of transformation through a single significant event, in this case failure and regeneration, pose an interesting area of study. Indeed, cope summarises:

...what emerges is a lack of rich substantive evidence to support conceptualizations, particularly within the entrepreneurial context. It appears almost axiomatic that learning occurs in relation to failure, and

yet a clear articulation of the specific learning processes and outcomes of venture failure remains elusive. (Cope 2011, p.606)

This paper will focus on the transformations that occur as a result of the event, and what impact these transformations have on any future business venture. The study will focus on entrepreneurs that have experienced failure and gone on to start another venture (regenerative failures). Cope (2011) suggests establishing action-learning sets of entrepreneurs who are facing, or have already experienced failure as a method for building engagement. Usefully, Cope (2011) discusses the characterisation/conceptualisation of the ‘learning task’. This being the part, or subject area that learning can be measured. This highlights how difficult it may be to investigate the learning of the entrepreneur, since it is often difficult to highlight the learning event, i.e. what has been learned.

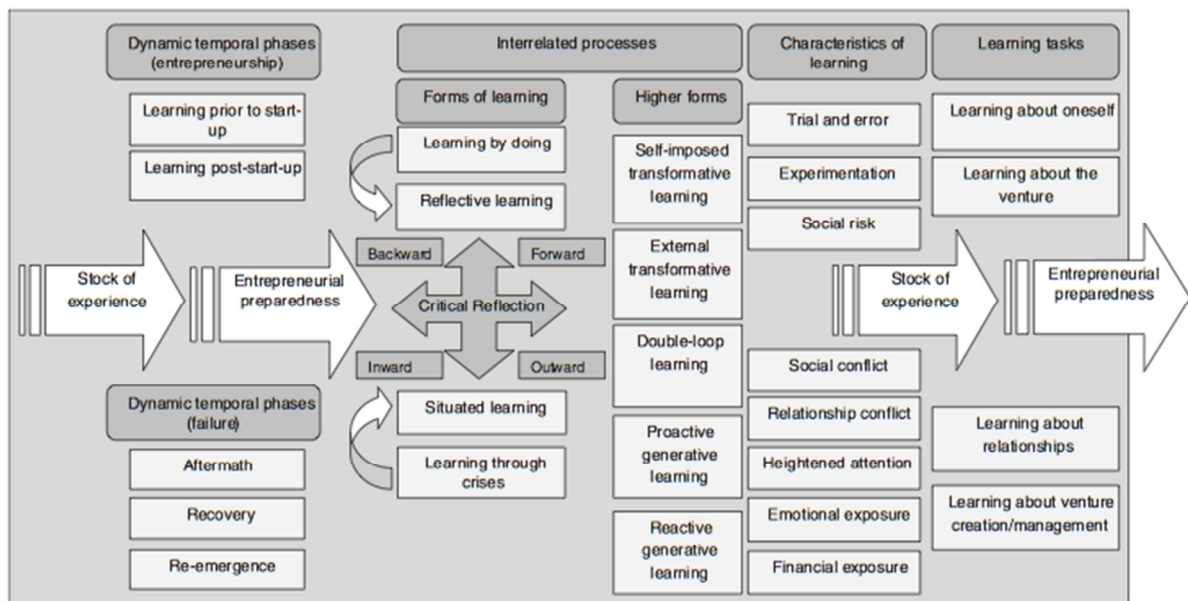


Figure 1: Cope’s (2005) Framework of Entrepreneurial Learning.

Areas for investigation

Cope (2011, pp.611-615) indicates an “intertwined construct” of rehabilitation and grief-recovery (Shepherd). The discussion focuses on learning to live with failure and

being able to move on. This looks at two feasible processes: a “lower order” *restoration-orientation* through distraction and suppressions – trying to ignore the reality of the failure and distracting oneself with other tasks. *Reflective action* focuses on enabling the entrepreneur to “take positive steps in light of failure that help bring an end to the negative emotional response characteristic of grief recovery”.

A salient point here being that in order to “recover” the entrepreneur needs to move on. There is little given in this setting that suggests **how** one might do this. Indeed, it suggests that looking back and examining what went wrong can in-fact become demoralising and will hold the entrepreneur back from being able to recover. This is an important proposition: in the case of pre-packaged administrations, the entrepreneur often goes on to restart the **same** business. If the above holds true, then it would be extremely difficult for the entrepreneur to move on from the previous failure. Indeed, in keeping the same staff, they too might not notice the difference and the culture change that is needed may not be put into effect. What’s more, if the entrepreneur and organisation struggle to move on from the previous venture, then they are at risk of being too emotionally grief stricken to be able to move through the failure process. This in turn could result in a continuity of the failed culture for longer than is necessary, resulting in a new business that fails to get off the ground because of the inability to effectively confront what happened (Scott and Lewis, 1984).

Failure has a social complexity (Cope 2011, p.619) that requires a unique methodology for research. In particular, there are suggested theories, that don’t stand up against the ethnographic data studied. This paper will focus on the following:

Theory 1: Entrepreneurs learn from failure

Scott and Lewis (1984) suggest that some entrepreneurs may fail to learn due to an inability to effectively confront what happened – a form of denial. According to Cannon (1995), some entrepreneurs report that they have learnt, as a way of justifying the time spent on an otherwise wasted pursuit into business. Others may learn the ‘wrong’ lessons (Baumard and Starbuck, 2005) and not adjust their behaviour accordingly, thus replicating mistakes in future activities (Shepherd, 2003).

Cope (2011) theorises five timeframes of failure:

1. The descent into failure

2. The experience of managing failure
3. The aftermath of failure
4. Recovery from failure
5. Re-emergence from failure (learning from and applying knowledge to future actions).

The first two are covered in Shepherd et al., (2009a) and the final three are covered in Cope (2011).

Cope (2011) highlights that only one of his sample can be classified as a regenerative failure and notes that this is key to understanding the experiential learning cycle associated with failure from Singh et al., (2007).

Schutjens and Stam (2006) also call for further study into regenerative failures and Cope highlights the need to account for the social dimensions including the influence and perspectives of “significant others” (see Shepherd, 2009; Jennings and Beaver, 1995).

Research framework and outline methodology

Using Cope’s (2005) framework of entrepreneurial learning as a basis for investigation, this paper seeks to answer the question “Do entrepreneurs learn from failure?” and if so, “What are the drawbacks of such learning?” The research aims to discover exactly what is meant by the term failure, and how much failure needs to occur for learning to happen. Indeed, is there “too much” failure that results in a lack of learning, or whereby the drawbacks are so significant that the learning may not be applied through fear of failure once more?

The focus of the research is the learning and personal development experienced by entrepreneurs through the failure process. Ideally, this would involve a longitudinal observational study of entrepreneurs who are experiencing this phenomenon at the key timeframes: Descent into failure, managing failure, aftermath, recovery and re-emergence.

Since the timeframe for this type of investigation could take many, it is concluded that reaching a sample of participants at each of the stages mentioned above will allow a more practical timeframe for data capture.

The paper uses a mixed methods approach utilising both inductive and deductive reasoning. Beginning with a grounded approach to the subject, using a method of interpretive phenomenological analysis (IPA) to draw themes from the 'lived experience' (Thompson et al., 1989) via semi-structured, iterative interviews of entrepreneurs who have a varying experience of failure and business backgrounds. Thematic coding of the interviews will be used to aid reporting and summarising of the interviews. The following research questions are used to shape the enquiry:

1. How do entrepreneurs perceive, think about and give meaning to the process of their personal learning over time?
2. How do entrepreneurs feel that they have changed as a result of the failure event?
3. What role does failure have to play within entrepreneurial learning and development?
4. What is the nature of the relationship between entrepreneurial learning and society?
5. How is the experience of failure viewed by the entrepreneur at key stages of the process?
6. How has the experience of failure effected and been affected by "significant others".

Next, a focus group method of data capture at an event of stakeholders (Delphi method) - investors, bankers, accountants and insolvency practitioners – is used to help inform the drawing of constructs that form the basis of our understanding of the three main questions: Do entrepreneurs learn from failure? What are the drawbacks of failure? How much failure needs to occur for learning to happen?

From here, we find sub-questions: Are there common causes of failure, or lessons to be learnt? If so, can these lessons be taught to the entrepreneur, before they make the mistake themselves? – Learning vicariously. Do all successful entrepreneurs fail, and if not, why not?

This platform allows a larger scale empirical investigation into business failure and the resultant entrepreneurial learning using a Key Informant Approach (Kumar et al., 1993). Reliability checks will be carried out, through questions asked to the respondent that could be verified by public records – eg age, size, sector and legal status of the business. Validity of the respondent will be achieved via a series of questions to ascertain the exact status of the respondent. In particular it is necessary to identify the key-decision maker in the firm. If this is not the case, the response will need to be discarded. Key decision makers will be identified as being a founder/principle owner of the business.

Initial results and future developments

Initial interviews with a sample of three regenerative entrepreneurs and two insolvency practitioners have been processed and thematically coded. Initial themes bourn out of this investigation led to a round table event of 24 business professionals, advisors and industry experts. The data gathered from this investigation is currently being coded and the themes will be drawn into a pilot questionnaire that will be used to help validate the final survey instrument.

During the period between now and the BAM conference, the pilot questionnaire will have been completed and the final survey instrument will be validated. Access to regenerative entrepreneurs will be obtained via links with two insolvency practitioners. Other entrepreneurs will be contacted via connections with a national leadership development programme. It is expected that initial results from the data obtained will be ready for analysis and interpretation prior to the conference allowing for a more fruitful discussion into the development of the paper.

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