Entrepreneurs’ Emotional Responses to a Bankruptcy

Paper within Business Administration: Entrepreneurship

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Abstract

Entrepreneurs are often perceived to be creative and risk taking (Kreuger, 2002). The purpose of this paper is to investigate entrepreneurs’ response to a failure namely a bankruptcy. People react differently to a bankruptcy and tend to blame different things as the cause. Some blame themselves while others blame things out of their control. These differences can have an impact on the learning process and how easy the entrepreneur moves on after the failure. These findings can be used for situations when dealing with failures and entrepreneurial activities.

There is no single theory already existing for this topic, therefore several theories have been looked at and used for the analysis. The theories can be divided into five main areas: entrepreneurship, failure, entrepreneurial response to failure, factors affecting responses to failure and learning. Entrepreneurship is treated as the creation of new economic activity (Davidsson, 2004) and entrepreneurial traits (Kreuger, 2002) are considered in the analysis. Locus of control is an important trait since it shows the ability of the entrepreneur to think that they are in control of the environment. (Rotter, 1966) In order to explain the cause of a bankruptcy people tend to use certain attributions. Locus of causality refers to whether a person blames internal or external causes and stability whether these causes are changeable in the future or not. (Martinko, 1995) Several factors will influence the response to a bankruptcy and in this thesis motivation for the start-up, culture and separation of the company are looked upon. After a failure an entrepreneur can learn false lessons (McGrath & Cardon, 1997) and stop any entrepreneurial activities. However failure can also be positive if something true has been learnt. (Wiklund, 2006)

This report is an exploratory type of study and a case study was conducted where five cases were used with entrepreneurs that have run companies that have gone bankrupt. A qualitative method was used and the empirical findings were gathered trough interviews which were then analysed with the support from the theoretical framework.

In the analysis new models were created that showed patterns we found comparing the interviews. It also includes discussion about how culture affects the blaming factors of failure. The factors that an entrepreneur is blaming the failure on are much depending on to what degree they possess entrepreneurial traits. This paper also suggest that how personally an entrepreneur takes his/her failure depends mostly on how financially dependent they were on their company and also how experienced they were from failure. Another finding was also that all the participants agreed that it is not a supportive business culture in the Jönköping region. Another conclusion is that entrepreneurs that blame their failure on internal factors learn more from it, but this learning can be less significant due to earlier experience from failure.
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1 Introduction

This chapter will give an introduction and background to the basic assumptions and main aspects of entrepreneurs’ emotional responses to bankruptcy, which will be dealt with throughout the paper. First, the background is presented, followed by a problem discussion and at the end of the chapter the purpose is outlined.

“Bad times have a scientific value. These are occasions a good learner would not miss.”

Ralph Waldo Emerson (Davenport, 1998, p.52)

One of the pillars of Jönköping International Business School is entrepreneurship. The entrepreneurial message of creativity and innovativeness is being taught, and the university gives much encouragement to start new businesses. Even though we have studied how to pursue a good idea, to start and run a business, as well as about the failure of a company, we have not yet come across much literature about the failed entrepreneur who winds up in a situation where the business goes bankrupt. This is the reason why we found it interesting to conduct research about the emotional responses to an entrepreneurial failure.

1.1 Background

Entrepreneurs are often creative people that dare to take their ideas into action and to follow their dreams. Risk taking, having a need for achievement and innovativeness are qualities that according to Kreuger (2002) are very common for entrepreneurs. But the aspect that is looked upon here is not how they use these skills for success, but how they respond to a failure.

There can be many causes of a failure, for example it can depend on problems in the market such as strong competition, or internal factors such as a poor pricing policy. A failure may be the result of financial difficulties such as undercapitalization or high debts, or management problem such as lack of experience or too little ambition. (Bird, 1989) One type of failure threatening entrepreneurs is bankruptcy, which can have many consequences. Financial ones might be the first one that comes to mind, in addition the person behind the failure and his/her emotional response to the bankruptcy exist but are more difficult to identify.

People react very differently to a bankruptcy, and they tend to blame different factors as the cause. Some blame external factors, which are out of their control and force them out of business, while others blame internal factors, things they themselves can control and change. (Mueller & Thomas, 2001) These differences can affect their chances of getting over the experienced loss. In addition to this, other factors can also affect this, for example cultural background. (Hofstede, Noorderhaven, Thurik, Wennekers, Uhlander, & Wilde- man, 2002)

1.2 Problem

One of the main issues within the area researched in this paper is to see how a person who puts his/her soul and spirit into their business that fails, can possibly find the strength to get over it and to move on. Perhaps some never get over the failure and instead go into hiding and stop taking future risks. A big blank can be found in the literature about entre-
preneurs concerning what happens afterwards to those who fail. These questions have not yet been touched upon, and therefore we see it as a great opportunity to make a contribution to this area of research.

The factors affecting entrepreneurs’ coping of failure will be analyzed as well as what emotions they feel afterwards, furthermore how these emotions help them to move on or make them stop trying. To explain why it is important to conduct a study about failure, three reasons are given by McGrath & Cardon (1997). The perceived risk of failure will affect the motivation to start a business, smaller failures can benefit individual learning and improve the work efforts, and when someone drops out it can show why. For them the functionality of failure is the focus. McGrath & Cardon (1997) discuss failure at three levels; that of the company, of routines within the company, and of the individual.

In this report the focus is the failure of the company such as a bankruptcy in particular from the individual entrepreneur’s perspective and his/her emotional response to the failure. The entrepreneur's feelings after a failure and the way one cope with it have a great impact on the learning process and future actions. It is therefore important to see how entrepreneurs feel after a failure and what factors they blame. These factors will be used in order to reach an understanding about the learning process; this can be further used to reach conclusions on how to handle failures and how to nurture motivation for future actions from the entrepreneurs.

1.3 Purpose

The purpose of this paper is to investigate entrepreneurs’ emotional responses to a bankruptcy.
2 Frame of reference

In order to serve the purpose of this paper this chapter presents several areas of earlier research theories within the field of entrepreneurship. In all probability, at present there is no single theory that has explored this particular topic, consequently all theories used in this chapter are related in various ways to the topic which is dealt with in this paper. Each theoretical aspect can be seen as a building block that when put together will create a new and unique theory will be created.

Firstly, an introduction of entrepreneurship and entrepreneurs will be given. The reason for this is to make a clear distinction between the two concepts and why it is essential to study this particular group of people. The second part deals with failure and the different factors that can lead to it. This theory is necessary in order to understand how the authors of this paper define failure and also to present a picture of what the possible factors are which could lead to an entrepreneurial failure. After explaining entrepreneurs and failure, the entrepreneur’s response to a failure will be presented. It is based on psychological theories and it will show differences in emotional response to a failure and what factors that are attributed as a cause for the failure. The next step is to look at factors that can affect the way an individual responds to a failure and it is presented in the fourth section. Lastly, the learning will be brought up with different views whether it is positive or negative to experience a failure as well as if it is possible to learn from it.

2.1 Entrepreneurship

This report is based on the research of entrepreneurship and it is therefore important to define entrepreneurship. However, this is not so easy since there are almost as many different definitions as there are people willing to provide them.

“Entrepreneurship is the creation of new economic activity”

(Davidsson, 2004, p 8)

In accordance to Davidsson (2004), entrepreneurship is the creation of a new enterprise. This definition will be used throughout this paper and is found to be most appropriate for this research since the entrepreneurs who will be interviewed will be selected on the criteria of having started their own company. The authors are aware that this definition can be seen as too simple and general for entrepreneurship in some cases. For instance, one does not have to create a company to be an entrepreneur, and owning one is possible without being an entrepreneur. However, for this particular study it is an appropriate definition for the case selection.

2.1.1 Characteristics of the entrepreneur

A question that many have tried to answer is whether entrepreneurs differ from businessmen in general or are actually very similar. McGrath & Cardon (1997) treat entrepreneurs as a group with overconfidence and very strong faith in their abilities to control the unpredictable. They are also exceptionally persistent in their behavior and this can be seen as a threat to the ability to see a failure and thus learn from it. An entrepreneur is often seen as a self-motivated individual who takes the initiative to start and build an enterprise relying primarily on oneself rather than others to formulate and implement his or her goals (Mueller & Thomas 2001).
According to Krueger (2002) there are some characteristics that are common for an entrepreneur;

1. **Need for achievement.** This is one of the driving forces for persons to become entrepreneurs. It is suggested that individuals with high need for achievement have a strong motivation and desire to reach success. These persons are greater risk takers, like personal responsibilities for decisions and are fond of money as a measure for success.

2. **Locus of control.** The entrepreneur of this type believes that he/she possesses the ability to create and control the environment by his/her actions. The individual entrepreneur would use the internal locus of control to be successful.

3. **Risk-taking propensity.** Entrepreneurs tend to have a high level of desire to take risks. They believe in themselves and achieving their goals, and therefore they do not see failure as threatening as a non-entrepreneur.

4. **Problem-solving styles and innovativeness.** The entrepreneur is considered to be creative as he/she is continuously faced with challenges that require innovative solutions.

5. **Values.** The personal value system of the entrepreneur is based on the personal characteristics such as need for achievement and locus of control.

These entrepreneurial traits will be used in the analysis of this study. It will be analyzed whether the interviewees show signs of these entrepreneurial traits and if this has an impact on how they respond to a failure. As stated earlier, entrepreneurship is considered to be the creation of new enterprise. It will be further looked upon how entrepreneurial they are personally and how this can affect their reaction to a bankruptcy. Below, a further explanation of ‘internal locus of control’ will be discussed. This trait provides an explanation to entrepreneurs’ ability to think that they are in control of their environment and also how they can believe that they are in control of failure.

**Internal locus of control**

Internal locus of control has been one of the most studied traits in entrepreneurial research. Besides Krueger (2002), an earlier research about locus of control has been done by Rotter (1966). The degree of locus of control affects entrepreneurs response in the way they feel they can affect the world around them. Rotter (1966) further states that individuals perceive outcomes of events either as within or beyond their personal control. “Internals” believe that they themselves can control the outcomes through their own skills and abilities. They reach for independence and have a great amount of trust in their own beliefs as they consider that their personal destiny comes from themselves. While on the other hand “externals” believe that the outcomes are determined by forces outside their self-control. These forces can be luck, fate or other powerful people (Rotter, 1966).

Entrepreneurial behavior and internal locus of control has an evident relation. By most definitions entrepreneurs are initiators that take responsibility and are not dependent on others. The perception of having control and being able to affect the results are vital when deciding on a venture formation. Therefore a conclusion can be made that entrepreneurs are more likely to have internal locus of control origination than an external one. If one does not believe that the outcome of a business venture will be influenced by personal effort, then that individual is unlikely to risk exposure to the high penalties of failure. (Brockhaus 1982)
These findings that internal locus of control is a possible entrepreneurial trait have inspired numerous empirical studies. Mueller & Thomas (2001) mention that Borland (1974), after conducting such a study, found that business students, who expected to start a company in the future, have a stronger belief in internal control. They point out that Brockhaus (1975) performed a similar study also involving business students. He as well found that students with entrepreneurial intentions have a higher internal locus of control than students without these intentions.

2.2 Failure

There are many definitions of a failure. In this research bankruptcy has been chosen as the definition of entrepreneurial failure. There are though many other situation where the entrepreneur can be seen as failed, and bankruptcy is in fact a very narrow definition to failure. It excludes all business that does not declare bankruptcy but barely break even and does neither provide a fair income to the business owner nor make a fair return for investors. (Liao, 2004)

Cannon (1997) says that already in childhood children receive their perceptions of what a failure is and what a success is from punishments and rewards, and these unique experiences give us our own individual definition of what makes a personal failure. This also shapes how we as adults handle a failure (Cannon, 1997). In order to make a case study on failed entrepreneurs it is essential to make a clear distinction on what is to be considered as a failure. Otherwise it will be basically impossible to make any comparisons between the cases studied.

Bird (1989) mentions four categories of business failure in escalating severity:

1. Opportunity losses; minimal earnings
2. Negative profits; losing money
3. Technical insolvency; unable to meet current obligations
4. Bankruptcy

Bankruptcy is the most severe failure that can happen to a business and it is chosen for this study because it is the most explicit failure facing an entrepreneur. The entrepreneur is not able to hide this failure since it will be posted in public records. Bankruptcy means that the company is not able to pay its debts and the assets are taken care of by a receiver, often a lawyer whom is assigned by the court. The owner or creditor is the one that can file for bankruptcy. (Kronofogden, 2006)

Bankruptcy laws state the severity of failing a business. According to Armour & Cumming (2005) fear of bankruptcy is one of the main reasons why individuals do not start their own businesses. Many jurisdictions allow a fresh start for a bankrupt debtor after a certain time, meaning that the debtor can discharge the outstanding credit obligations. How long time before it happens, and other conditions which must be fulfilled can vary greatly from case to case. Armour & Cumming (2005) have studied in what way the level of entrepreneurship in the economy is affected by the level of how forgiving bankruptcy laws are. The time to discharge varies across countries. They found that there is a correlation between the legal environment and the entrepreneurship rates in a country. The bankruptcy laws indirectly affect the social acceptance of a bankruptcy, which can also be confirmed by Achtenhagen (2002).
2.2.1 Failure Factors

There are different factors that can lead to a failure and in this thesis it will be looked upon what the entrepreneurs considered to be the failing factor. The following theory shows an overall picture of the different factors that are involved in a failure of a company and how a flaw in some of the factors can have impact on the whole company process and then lead to a failure, in this case a bankruptcy.

According to Liao (2004) there are four factors that are the leading factors to a company’s failure; individual characteristics of the founder and recourses, structural characteristics, strategies of the company and environmental conditions in which the company operates. In figure 1 below one can see the relationships between these factors and the failure of the company. This is presented to make it easier to understand the different factors that the interviewed entrepreneurs are holding responsible, and how these factors can be viewed in a larger picture.

![Entrepreneurial failure: an integrative model (Liao, 2004)](image)

Figure 1, Entrepreneurial failure: an integrative model (Liao, 2004)
The entrepreneur

“Most researchers in the field have learned that the founder is the key to venture survival and failure”, (Liao, 2004, p 135).

The human and social capital that the entrepreneur possesses is crucial for the company. This refers to knowledge in the specific industry, education, previous experiences of starting a business and experiences of working in the industry. Higher level of human capital increases the chance of success and decreases the risk of failure. (Liao, 2004) In accordance with Liao, both Peterson, Kozmetsky & Ridgway, (1983) and Schutjens & Wever (1999) supports the importance of human capital. Peterson et.al (1983) argues that poor management skills as well as human capital can be factors that can lead to a failure. Further, Schutjens & Wever (1999) states that if the entrepreneur lack knowledge and experience the start up would have less favorable conditions, as the area is unfamiliar. They also stress the importance of having a reasonable education, as there are many changing demands in the environment. Finally, the managerial variables concern the issues as management incompetence and inexperience could directly lead to failure. As far as bankruptcy is concerned, three causes of failures could be defined; product/management problems, financial difficulties and managerial/key employee problems. (Liao, 2004)

The company

Several company factors affect the risk of failure. History shows that the company’s age has an impact on the survival of the company (Liao, 2004). Storey (1985) states that there is a positive relationship between the success of a new firm and its size. Older companies and new companies that are followers are less likely to dissolve. According to some researcher the company size affect the life length of the company. Moreover, it is argued that larger start-up companies have a larger financial capital invested and therefore a better chance of surviving. (Liao, 2004) Schutjens & Wever (1999) agree and suggest that the start up capital is essential for the chances of success. In addition to the above researchers, Wagner (1994) believes that there is a positive relationship between the size of the start-up company and the industry growth and a negative influence between the industry’s capital intensity (Wagner, 1994). The latter statement means that there is a greater chance of failure if the company is more capital intense. When businesses with substantial borrowings do fail, they have a high probability of entering, or being placed, into bankruptcy (Peterson et.al, 1983) In contrast to this others argue that the size of the company does not affect the failure rate. Also, company growth, even at a small extent has been argued to help the company to be beneficial for the company. (Liao, 2004)

Moreover, the founding strategy can be divided into “generalist” and “specialist” strategies. The first strategy, offers a large range of product/services to a larger range of costumers. Focusing on a larger market decreases the risk of failure, as the direct competition is less. The specialist strategy focuses only on a special market range, and some argue that these have a better chance for survival since they can better handle the environmental conditions. (Liao, 2004)

The context

The context refers to the industry condition and the macro-economic conditions. The company’s ability to control the industry affects the chances of success. (Liao, 2004). If these market conditions are good, there is a larger probability of firm success (Schutjens &
Wever, 1999). The competitive concentration within the industry is based on the percentage of sale, plant capacity and distribution channels. Growing industries are argued to have a lower failure rate. (Liao, 2004)

The process

The process, the events of failure, can be seen as a viscous circle. The important aspect is how the failure unfolds (Liao, 2004). Peterson et.al (1983) argue that only the macro economic environment itself could not be seen as a cause of failure but rather a trigger factor. The entrepreneur's narrow strategy together with the company factors and the context can lead to the failure of the company. (Liao, 2004) Schutjens & Wever (1999) support this theory by stating that there is a mix of the entrepreneur, firm and external factors, which decide on the firm success.

2.3 Entrepreneurial response to failure

This section will discuss the psychological factors that can explain the response from an entrepreneur when experiencing a failure. After a bankruptcy the entrepreneur is most likely to feel a vast number of emotions. It can be any one or a combination of shame, anger, frustration, guilt and it is very easy to put blame elsewhere and deny ones own responsibility. This can help to get rid of pressuring feelings but is a very short-term tactic. If one blames everything on external factors there is little to learn. And a real recovery of an entrepreneurial spirit requires that the person can feel a sense of control and which can in most cases only be done by taking responsibility for ones actions. (Bird 1989)

The failure creates a situation where the entrepreneur can feel helpless and inadequate. People react differently to a failure and there are two extremes to this situation. On one hand the situation would make the person not engage in similar activities as the ones he/she just failed in. On the other hand a person can see this failure as a motivation to further improvements with new focus and drive as the failure was lacking effort and planning. (Cardon & McGrath, 1999) This will be discussed further in the section about attribution theory. Moreover, when the individual suffer from strong negative emotions such as anxiety, fear or cognitive distraction from the failure, it can actually harm the future learning and performance (Perry, Hladkyj, Pekrun, Clifton, & Chipperfield, 2005).

2.3.1 Attribution theory

Attribution theory is a subfield within social psychology and was founded by Heider (1958). Today it is not a single theory, but can rather be seen as a number of different attribution perspectives (Martinko, 1995). For that reason this research will not discuss all the different perspectives of this theory but rather focus on the most relevant for this thesis.

Attributions are “causal explanations” for situations which people use to explain their past success and failure experience. Attributions can be either internal or external factors (Martinko, 1995). Some events have apparent internal causes, other obvious external causes; however most actions have more than one potential cause (Shaver, 2004). An event can be attributed to internal reasons, such as the entrepreneur herself, or reasons outside of ones control such as a bad economy (Cardon & Potter, 2003). There is a nearly endless list of attributions that could be blamed as a cause for failure. For example a person could attribute an event as a cause of lack of ability while others may think it is due to luck or chance. Ef-
fort, task difficulty, one’s own mood, the mood of others, acts of God can also be attributed to events. (Martinko, 1995)

Underlying these attributions for an event, are “causal dimensions” representing the cognitive structure. Weiner (1985) discusses five underlying causal dimensions identified in previous research. An internal/external (locus) dimension, a stability dimension, a controllability dimension, a global-specific dimension, and a dimension referred to as intentionality. The internal/external locus dimension is treating how a person believes that the causes of an event inherit from, internal or external courses. The stability refers to the degree that these blamed attributions are changeable in the future or stay the same. Controllability represents the extent to which the cause is seen to be under control of the individual, and global-specific determines whether the cause only applies to the specific situation or can be cross situational. The focus of this thesis will be on the first two dimensions namely the locus dimension and stability. These are the two most widely used and accepted dimensions and are also the most appropriate for this thesis.

2.3.1.1 Locus of causality
As mentioned earlier, the internal/external locus of causality is the most widely accepted dimension. It separates between factors inside the person and factors that are outside the person in the environment. (Martinko 1995) Factors that could be blamed inside the person could for example be their own ability or lack of it. An outside factor on the other hand could instead be the market conditions or competitors.

Locus of causality (Weiner, 1985) should not be confused with the theory of locus of control (Rotter, 1966) mentioned earlier in the section of entrepreneurial traits. Locus of control is rather what a person feels that she can control or not in her surroundings, while locus of causality refers to where a person believes the causes of an event inherits from. Locus of causality is the most widely accepted dimension in attribution theory (Martinko, 1995).

Internalizers vs. externalizers
Goodwin, Mayor & Hill (1997) have used internal and external factors and developed personality types referred to as internalizes and externalizes. Goodwin et.al (1997) discusses the way that these two personality types cope with negative life events such as divorce, sales loss and bereavement. The results from the study show that internalizes are more concerned how the losses have affected themselves personally; they allow themselves to grieve the loss. The externalizers expressed their vulnerability against external threats, by showing anger and grief. The latter type has most difficulties in accepting the loss and handling it, but they also have a tendency to move on faster. (Goodwin et.al, 1997) The grief depends to a great extent on how long the business has been owned and managed by the entrepreneur (Dijk & van Knippenberg, 1996).

Cannon (1997) has in his research developed three areas where people tend to focus their self-criticism after having a failure. One of them is being caught of guard, where the person puts blame in themselves for not being aware of the true nature of the situation. They feel that it is always a possible way to find the right answer and the mistake could have been avoided. The second area that Cannon (1997) developed is wrong thinking – wrong doing. The basic belief is that all problems can be resolved; it only takes the right thinking. Here in contrast to the former area of criticism, they criticize their thinking and actions spite being
fully aware of the situation. In the third type of response, ‘because of who I am’, the assumption is that things have gone wrong because of their type of beliefs, standards, personality or idealized way of seeing the world. Here it is more a question of shame on oneself and not guilt over the act as in the prior responses. They think that failure can be avoided by new values and standards. (Cannon 1997)

2.3.1.2 Stability

Stability is the second dimension classified by Weiner (1985). It refers to the degree that attributions are changeable in the future or stay the same. An example of a stable external factor could be task difficulty, and a stable internal factor can be the individual’s ability. These factors are probably not going to change to the next time the person is making a new attempt. An unstable external factor could be luck, and an unstable internal factor could be effort. These are on the other hand factors that are very likely to change in future attempts. These factors can be different for different people. Some may think of ability as a stable factor and for others it can be changeable through learning. (Martinko, 1995)

Studies have shown that attributions can affect people’s wellbeing, but also that their wellbeing affects the attribution that they blame on. According to Martinko (1995), individuals who make internal, stable attributions for failure tend to become helpless and suffer from depression to a greater extend than those exhibiting a different attribution style. A study made by Forgas (1998) has shown that happy persons tend to identify stable, internal causes when doing well in achievement situations, and when doing badly they blame unstable external causes. In contrast, depressed people are blaming the stable internal factors when doing badly and does not take credit for their successes but blame environmental factors. This can be compared to Bird’s (1989) theory that people who blame external factors have little to learn from their failure and that in order to fully recover from a failure a person has to have a sense of control and take responsibility for ones own actions.

2.3.1.3 Identification of causes

It is necessary to identify “causal dimensions” such as the locus dimension and stability, along with “casual explanations” i.e. attributions, to find similarities and differences in the various causal explanations. The identification can lead to the discovery of relationships that contributes to the meaning and significance of causes for events. To test this relationship a researcher has to start with the specific causal attribution made by an individual to assess the underlying causal dimension of internality and stability (Martinko, 1995)

Elig and Frieze (1979) have tested and compared three methods for assessing causal explanations. The first one was the use of open-ended attributions where the subject simply states the reason for success or failure. The second method was measures of percentage for causality where the subjects are given a list of potential attributions an told to indicate how much each cause contributed to their success or failure, and thirdly, measures of importance of different causes where subjects rate the importance of certain attributions. According to Elig and Fieze (1979) open-ended measures may be appropriate in novel or new situations. Except for the open-ended method, all other measures limit the attributions the subject can make. By limiting the choice to just a few attributions the individual’s actual explanation for why an event occurred may not be accurately assessed. (Martinko, 1995)

As mentioned above, attributions can be classified in a clear way using the two dimensions causality and stability.
Table 1, (Martinko, 1995)

<table>
<thead>
<tr>
<th>Attribution</th>
<th>Locus of causality</th>
<th>Stability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability</td>
<td>Internal</td>
<td>Stable</td>
</tr>
<tr>
<td>Effort</td>
<td>Internal</td>
<td>Unstable</td>
</tr>
<tr>
<td>Task difficulty</td>
<td>External</td>
<td>Stable</td>
</tr>
<tr>
<td>Chance/luck</td>
<td>External</td>
<td>Unstable</td>
</tr>
</tbody>
</table>

Attribution theory deals with persistence after failure. When an entrepreneur attributes a failure to external causes there is no reason to avoid trying to start something again. Only if the causes are seen as internal the entrepreneur has reasons to wonder whether a new attempt should be made. If the internal cause is unstable, a past failure does not imply that a new attempt will also fail. An internal stable attribution such as believing that ‘I do not have what it takes’ can be the rationale for rejoining the corporate workforce again. This can also be contrasted to Bird’s (1989) theory that people who blame external factors have less to learn from their failure and that in order to fully recover from a failure and to move on a person has to have a sense of control and take responsibility for ones own actions. (Shaver, 2004) This view is also mentioned by Rogoff, Lee & Suh (2004). They say that an entrepreneur who has experienced failure previously and who has attributed the failure to her/his own poor decisions may reduce her/his entrepreneurial activities in the future.

2.4 Factors affecting responses to failure

There can be different factors that affect the way an entrepreneur responds to failure. In this thesis four factors will be considered and they are motivation, culture and the separation of the company and the entrepreneur. Motivation is considered to be important because the purpose of having the company can have great impact afterwards on the consequences for the entrepreneur. The culture can also have an impact on their view of themselves as well as the social acceptance they receive both before and after the failure. The separation of the company affects how attached they were to their company and if they consider it to be a personal failure or only a failure of the company.

2.4.1 Motivation Theory

This section will present entrepreneurial motivation theory, reasons for why some people rather than others choose to start their own business. It is suggested that the personal traits play an important role (Kreuger, 2002) but one should not forget that there a more factors that affect entrepreneurial start ups. One such factor is that opportunities or situations are perceived differently by different persons. This perceived view is affected by the background of the person, earlier experiences and the environment (Mckelvie & Larsson, 2004) Further, the motivation theory is explained in Maslow’s hierarchy of needs where he has created the model for basic human needs. At the top of his model is “self-actualisation needs” which suggests that this is the goal of a human being. A state where the person feels that he/she has reached his/her full potential. It is suggested that the human needs motivate the way a person behave in a certain situation. (Maslow, 1943).
In earlier research, cognitive theories are used to describe the way information is perceived and interpreted by individuals. This means that the entrepreneur uses the world and its information to select and interpret it, to find a business opportunity. (Mckelvie & Larsson, 2004)

In the “Miners scale” five motive patterns can be distinguished for the entrepreneur:

1. Self-achievement
2. Risk taking
3. Feedback of results
4. Personal Innovation
5. Planning for the future

These five patterns are used to describe the task motivation. The theory suggests that the motive is complex and that it is not possible to predict behaviour or performance by one motive but that all of the above should be evaluated. The basic motivation can be used to understand the behaviour of the entrepreneur. This motivation is related to the emotions of interest and enjoyment of the task. It suggests that a person chooses to perceive an opportunity on the basis of his/her own interest in order to feel self-fulfilment. (Mckelvie & Larsson, 2004)

2.4.2 Cultural factors

Cultural factors are important since attitudes to risk and the social consent of entrepreneurial success as well as failure can affect the willingness of individuals to start a business. (Hofstede et al. 2002) The perception of, and tolerance for failure, can have a significant impact on whether entrepreneurs pursue opportunities despite the high risk and effort to start a new business (Cardon & Potter, 2003). Social acceptance is highly related to the national culture and psychological research has shown that there is a relation between values, beliefs and behavior. Therefore it can be assumed that culture affects individual’s behavior. Culture can also affect how a person responds to failure. This assumption is drawn from the theory about culture’s role by Hofstede et al. (2002). He defines culture as the collective programming of people in an environment.

The consequences of bankruptcy usually bring along social stigmatization. (Armour & Cumming, 2005) Stigma is referred to as a situation in which an individual is excluded from complete social acceptance (Achtenhagen, 2002). Even after a fresh start and long after the bankruptcy, individuals often find it difficult to be seen as trustworthy. When there is such a public sign of failure as a bankruptcy some entrepreneurs may experience a loss of self-esteem. However the social attitudes to bankruptcy vary across countries and cultures. (Armour & Cumming, 2005) According to Armour & Cumming (2005) Sweden has the highest share of businesses that would not order goods from a previously failed merchant. One can see that there are differences in national attitudes to whether failed businesspersons should be given a second chance.

McGrath & Cardon (1997) discusses the influence of culture and how the impact of a bankruptcy can be very different. In a collectivistic culture the motivation to overcome a failure before giving up has a shorter duration and less magnitude than more individualistic cultures. In the US, which is an individualistic culture, (Hofstede et al, 2002) a business failure is considered as a learning experience. Americans can fail two or three times before a success. This can be compared to Japan, a collectivistic culture, (Hofstede et al, 2002)
where a second chance is not an option and the social stigma against failure discourages entrepreneurial activities (Achtenhagen, 2002) The cultural perception towards entrepreneurial failure may have an influence on the allocation of resources towards new ventures. When failure is more accepted or even seen as normal, individuals might find it easier to access capital even with unproven business models. Conversely, where failure is not tolerated and the stigma of failure becomes a personal and social stigma, potential entrepreneurs are less likely to pursue opportunities. (Cardon & Potter, 2003) How the payoffs and sanctions are structured in a culture shapes the motivation and risk tolerance in that culture. Significant sanctions in a culture may reduce the incentives and discourage entrepreneurial efforts. (McGrath, 1999)

2.4.3 Separation of the entrepreneur and the company
An issue that needs to be answered in order to serve the purpose of this thesis is to see the level of separation between the individual entrepreneur and the company. Scholars have noted that responses to failure can vary depending on the individual’s level of emotional attachment to their venture. (Cardon, Zietsma, Saparito, Matherne, & Davis, 2005) This can have large effects on how to get over a failure since if one takes it as a personal failure they naturally have a more difficult time moving on. McGrath & Cardon (1997, p28) believes that “entrepreneurs with prior failure experiences are more likely to make this transition, having realized that they have a personal identity separate from the company identity”. It can be a difference in how the entrepreneur view and experience the failure compared to the organization. (McGrath & Cardon, 1997)

2.5 Entrepreneurial learning
Entrepreneurial learning has impact on how entrepreneurs might change their view of their failure in the future and this will affect future attempts to start a business. One can ask whether failing can be seen from both a positive and a negative perspective. It might be an obvious first thought that failure is negative; however this is not always the case. McGrath & Cardon (1997) point out several beneficial sides of failure. Not all those who take on the role as an entrepreneur are appropriate for it. Failure can be used to send a message whether a person is appropriate for an entrepreneurial role or not and his chances to succeed in the future. This will save both the individual and their business partners from repeated inconvenience. Failure when recognized can be learned from and for future attempts become a competitive advantage. From this view, failing can be seen as the research for an entrepreneur who does not have the resources that the bigger competitors might be able to put into research and development. It is crucial that the individual learns from her/his mistakes and does not ignore them. It can be uncomfortable at the time to realize a failure; however it can prevent an even greater failure from occurring later on. When the taboo of failure is gone entrepreneurs can learn from others who have failed without having to experience the failure themselves. (McGrath & Cardon, 1997)

According to McGrath (1999) having experienced a failure may give the entrepreneur a possibility to gain new and unique knowledge. This would not have been possible if the entrepreneurial experience was successful. (McGrath, 1999) Moreover, it is argued that the entrepreneurs that have experienced entrepreneurial failures in their past have a good prerequisite to start new successful businesses. The reason is that they can make use of the knowledge acquired from the process of destruction. (Wiklund, 2006)
How entrepreneurs learn from failures has a lot to do with their subsequent success or continued difficulty. What entrepreneurs learn depend on their current competencies and the environment (Bird, 1989). McGrath & Cardon (1997) bring up two points questioning whether entrepreneurs can actually benefit from failure and learning. The first point is that learning in itself is not entrepreneurial but rather managerial. Entrepreneurs are faced with such unique situations that the appropriate behavior cannot be learned or predicted. A second point is their ability to learn from others. They must experience the failure themselves in order learn and often believe that they are capable of avoiding the mistakes that others have made.

Some see failure as a way to make progress; it provides an opportunity to improve by making a greater effort or alternative (Cardon & McGrath, 1999). When something does not work out as expected, the only thing to do is to improve it. But if entrepreneurs are going to learn from an experience they are in need of accurate perceptions and honest self-appraisal. But it is suggested that entrepreneurs tend to ignore the past, being very oriented on the here and now, and this can hinder them to learn from their mistakes (Bird 1989). As discussed earlier, failure can be positive in several contexts, however it is quite evident that it can also be negative to many. In a report by McGrath & Cardon (1997) it is clear that an individual can learn false lessons and blame others instead of themselves. There can be difficulties to come back as a failed entrepreneur. Banks and investors that have lost money are most often not so forgiving and willing to give the entrepreneur a second chance, even if the source of failure comes from blindness and negligence or worse, greed and dishonesty. (Bird 1989)

2.6 Summary of frame of reference

The authors have adopted Davidsson’s (2004) definition that entrepreneurship is the creation of new economic activity, since this fits the research, as the authors will investigate people that have started a business as the only criterion of entrepreneurship. But in order to compare the entrepreneurial response among the interviewees there is a need to be able to compare just how entrepreneurial they are. Therefore Krueger’s (2002) entrepreneurial traits are used. Need for achievement, locus of control, risk-taking propensity, problem-solving styles, innovativeness and values, are often high among entrepreneurs. Locus of control is one of the most important traits of entrepreneur since this trait explains entrepreneur ability to think that they are in control of their environment (Rotter, 1966).

Bankruptcy is considered to be the most severe failure for a business (Bird, 1989), and also the most explicit type of failure and cannot be hidden from the public. To understand the factors that the entrepreneurs attribute to a failure an integrative model, Figure 1, by Liao (2004) is used in order to give a larger picture on what can go wrong and lead to a bankruptcy. The model includes: the entrepreneur, the firm, the context and the process that can lead to the entrepreneurial failure.

When entrepreneurship and failure is determined, the next step is to see what these entrepreneurs attribute to their failure. Attributions can be seen as “casual explanations” which people use to explain situations in their past success and failure experience. (Martinko, 1995) The attribution theory consist of different dimensions and the focus here is on locus of causality which refers to where a person believes an event occurs from, internal or external causes, and stability, whether they are changeable in the future or not. Another perspective that can be connected to locus of control is Goodwin et als (1997) theory on in-
ternalizers and externalizers where internalizers are more concerned with how the loss have affected themselves personally while externalizers feel more vulnerable against external threats (Goodwin et.al, 1997). Lastly, identification of causes gives an explanation to the relationship of the causal and stability dimensions (Martinko, 1995).

There could be numbers of different factors that can affect these responses to failure. For this thesis a few have been chosen as important to investigate and these are motivation for starting a company, cultural factors and the separation of the entrepreneur and the company. Motivation because their motive to start the firm is by the authors considered possible to have an impact on how they take the bankruptcy of the firm. Cultural factors is an important factor since attitudes to risk and the social consent of entrepreneurial success as well as failure can affect the willingness of individuals to start a business (Hofstede et al., 2002). Separation of the entrepreneur and the firm is said to affect their emotional attachment (Cardon et al., 2005)

Lastly it is looked upon how and what entrepreneurs can learn from their failure. McGrath & Cardon (1997) outlines positive and negative perspective concerning the entrepreneurial learning after a failure. A negative aspect of failure is that entrepreneurs learn false lessons and blame on others instead of themselves (McGrath & Cardon, 1997). In contrast, one positive aspect is that entrepreneurs that have a past entrepreneurial failure experience have a good base for starting a new successful business (Wiklund, 2006). The level of learning depends on their current competencies and the environment (Bird, 1989).

3 Research questions

In order to fulfill the purpose of this thesis that is to investigate entrepreneurs’ emotional response to a failure, several research questions have been developed. They are based on the theoretical framework presented above.

Which factors does the entrepreneur attribute to a failure? Are they internal or external factors?

Can the culture make a difference in how entrepreneurs respond to a bankruptcy?

Do the entrepreneurs see themselves as a failure?

What can the entrepreneur learn from the failure?
4 Method

This chapter presents how this study was conducted. It begins by providing a motivation of choice of study and then an explanation of how the type of study will be conducted. Description of different methods such as interview techniques and case selection will then be described. Lastly the method for the analysis is described. This section gives an overview on how the studies were made in practice and can be used by further researchers as a tool for evaluation.

4.1 Type of study

Since this paper is dealing with a topic that has not to any sizable degree been researched so far, an exploratory study will be used where new theories and models will be created. The objective in exploratory research is to gain insights and ideas that are appropriate to any fairly unknown or not researched problem (Churchill & Brown, 2004). With support of this we find this type of research to be the most appropriate since the topic investigated does not have any prior research. In addition to this Yin (2003) states, that the type of study also could be determined by the purpose or the research questions. If the types of research questions focus mainly on “what” instead of “how” or “why”, and the goal is to potentially create hypotheses instead of testing them, an exploratory study should be conducted. These ideas can also be used for motivating the choice of study since the focus is mainly on the “what” in the research questions and the study is devoted to find hypotheses instead of testing them. Exploratory methods are often flexible and can change as the process moves on and more insights are gained (Churchill & Brown, 2004).

Different types of studies can be used in exploratory research, for example a survey, experiment or a case study (Yin, 2003). For this research a case study method will be used since this phenomenon is going to be analyzed through investigating people’s emotions and experiences. A quantitative survey would not have given the in-depth empirical findings which where needed to make the analysis. The selected cases will be further explained in the section on case selection.

Churchill and Browns (2004) opinion on the most productive types of studies are literature search, experience survey, focus groups and analysis of selected cases. In the literature search the authors gain insights of the problem through the work of others. In experienced survey the goal is to tap the knowledge and experience from people familiar with the topic of interest, and in focus groups individuals are brought together to talk about the subject being investigated. In the last one, analysis of selected cases involves the study of selected cases of the phenomena being investigated. (Churchill & Brown, 2004) This confirms the chosen type of study to be a case study since one of the most appropriate ways of conducting an exploratory study is through analysis of cases. A focus group is not considered to be valid in this study since general opinions are not useful for this research and experience survey will neither be used because of the unexplored nature of the topic and lack of experts. The literature search in this investigation is used in order to develop research questions and have support in the analysis for the selected cases.

4.1.1 How to conduct the type of study

Since the type of study conducted here is a case study the natural choice is to have a qualitative method where the focus is on a few intense cases rather than investigating a whole population. Also the problem in this paper involves emotional responses to entrepreneurial
failure, where there is a need to reach the depth of peoples feelings and responses, and go into undiscovered territory. Qualitative method is therefore the most appropriate to use because of the unstructured nature of the data collection and interpretation.

The qualitative data research method only requires a smaller sample to make a more in-depth investigation. In comparison quantitative data collection often involves a larger sample in order to draw a conclusion of the whole population. The qualitative research method can be done by interviews with the objective to understand the research area in holistic nature, the principal of seeing things from the whole perspective, compared to the quantitative that generalize the whole population by a numerical measure and analyze already existing variables (Davis, 1996). The qualitative method includes participant observation and personal interviews which is more interpretive data (McKelvie, 2004).

4.1.2 Primary vs. secondary information

As we are conducting a case study and also doing a literature search it is important to separate these two methods and give each an explanation. The literature search is collected through the work of others and is therefore referred to as secondary information. The case study is on the other hand carried out by the authors and is hence called primary information. In order to have support for the analysis of the selected cases there is a need for secondary information as a foundation for the new models and theories created. Secondary information is the already existing information, which has been collected and used previously for another purpose. However, this information must be carefully evaluated as it needs to be relevant, accurate and impartial (Kotler, Armstrong, Sunders, & Wong 2001).

For this type of topic where no research has been done so far, a difficulty was to decide on the secondary information needed. Since the purpose is to find entrepreneurs’ emotional response to a bankruptcy, literature was chosen to cover all the parts in the purpose. Starting with the entrepreneur and continuing with failure, responses, and factors affecting responses and eventually learning from a failure. The other difficult part was then to find relevant information about these topics that would suite this type of study. Both information from the subject of psychology, entrepreneurship and business was looked at. The search was made from different sources like books, articles and homepages on the Internet. Books that have been used have been found in the library that belongs to the university in Jönköping, or in the authors own collection from previous courses. The articles have been found mostly in the library databases such as Google scholar. Some of the original sources have been used for a portion of the theories; many recent articles have been utilized in order to get as updated information as possible.

Primary information is the information that the researcher will collect by him/herself for the specific purpose (Kotler et.al, 2001.) In qualitative data collection several approaches can be used, however in this study interviews will be conducted and used as the primary source. It is found to be the most appropriate to collect information for selected cases since in depth information is required about emotions and is best to be collected face to face. Other methods for example observations are not appropriate here since the emotions and opinions can not be merely observed, even tough body language and other expressions are studied and used in the interpretations and analysis of the interview. The techniques to collect this primary information will be carefully described below.
4.2 Interviews

First the type of interview has to be chosen that is most appropriate when making a qualitative exploratory study. To make a clear motivation on type of interview, a model by Wengraf (2001) will be used.

![Figure 2, Spectrum from Unstructured to Fully structured Interviewing, and Possible Relationship to Phases in the Development of a Theory (Wengraf, 2001)](image)

When using a qualitative method the type of interviewing can be called non-standardized or unstructured since the method and the questioning have fewer procedures that are pre-structured than in the case of a quantitative method (Kvale, 1996). Wengraf (2001) makes it clear that since a model is not being tested but new theory is being created, a more unstructured form of interviewing is necessary (see figure 2).

To fulfill the purpose, the most appropriate interview technique is a semi-structured form of interviewing. Then the interviewer still has a frame in order to make their interviews more comparable for the analysis and to make sure certain topics are covered. At the same time the interviews can be individually adjusted to the interviewee, as their different experiences need to be discussed in varying ways to grasp the whole picture of their company, personality and bankruptcy. Semi-structured interviews are designed to have a number of prepared questions that follow the themes that are to be explored, but then leave the questions open to subsequent questions that have not been planned in advance. This way of interviewing is demanding since it does not only require that the interviewer is prepared it also demands more discipline during the interviews since improvising is required, and the time for analysis will be longer. The interviews can become more personal and the chances of getting more in-depth, useful material is higher. (Wengraf, 2001)

4.2.1 Case selection

Often the problem of a study is that the subjects interviewed are too few or too many. If the subjects are too few it can lead to a situation where it is impossible to make a general conclusion about a population. But if there are a too large number of subjects it is not possible to make penetrating interpretations of the interviews. In order to get a good conclusion it is therefore very important to have a number of subjects that is suitable to the purpose of the study that is conducted. (Kvale, 1996)
In this thesis only a few subjects have been interviewed to obtain the qualitative data needed for the analysis. With only a few subjects the interviewer can come more in depth and can easier come to valuable conclusions about the interviewee’s emotional responses. Qualitatively, the focus on single cases makes it more possible to investigate a specific behavior, to work out the logic and the relationship between the individual and the situation (Kvale 1996). For this study five entrepreneurs were chosen and even though this number seemed appropriate for this study it can lead to inadequate amount of data since general conclusions for entrepreneurs will be drawn based on the data.

The authors have used the district court in Jönköping where public records on several failed ventures were collected. The webpage Eniro.se was a useful tool to find contact details for the attempt to reach the entrepreneurs. Some were already at that stage put aside as inappropriate subjects due to distance or missing information. The entrepreneurs were then hand picked based on distance, most of the chosen ones were located in Jönköping in order to be reachable for the authors. They were also chosen according to the kind of company they had failed with, in attempt to reach diversity. Another way to reach diversity was to try to reach different people when it comes to age, gender and ethnicity. Because of this one woman, one Pakistani, one young man and two older men were eventually interviewed. Since the case selection could not be called random there could be problems in the validity of data. For example there were only people selected in and around Jönköping and the entrepreneurs here could have some common characteristics. This could make it sensitive to draw general conclusions over entrepreneurs in general.

Bruno, Leidecker and Harder (1989) note that entrepreneurs that fail could be very hesitant to discuss the failure, therefore the first five that accept being interviewed were used for the study. The problem that people were unwilling to discuss the matter and the difficulty to get acceptance for the interviews were really noticeable for the authors. Some refused, some were not reachable, and among the others there was almost no one that gave their acceptance in the first phone call. It demanded much convincing and some times two or three phone calls in order to get participants for the interviews. Also, in two occasions there were people dropping out that had to be further convinced before the interview could take place. Regardless of these problems people were very open in the interviews and were able to talk openly about their bankruptcy despite how recent their failure was. Even though all who finally participated were very open about their experience it could be things that the interviewers were unaware about, for example details that were left out or colored statements. This could lead to false interpretation of the data.

4.2.2 The interviews

Even though the entrepreneurs have agreed to participate in the study they can have difficulties to understand or express the factors that contributed to their downfall (Bruno et. al, 1989). It can also be a very sensitive issue for them to discuss and this can make them hesitate to answer all the questions or rationalize the answers (Achtenhagen, 2002). That is why it is important for the authors that are interviewing to make the interviewee feel as comfortable as possible. According to Kvale (1996) the best way of opening an interview is to gain the trust of the interviewee. First the subject would like to have a grasp about the interviewer so he/she does not feel that he/she has to expose himself/herself to a stranger. Therefore the authors for this thesis are very open already in the first phone call about who they are, what they are doing, and why. The interviewer should also give a briefing before and afterwards so that the subject knows what is expected from him/her and how it went.
Attentive listening should be exercised, where interest is shown as well as understanding and respect for what the responder has to say (Kvale 1996). To be better at these factors two people conducted all the interviews for this study. Then listening is easier as well as comprehension and feedback. The risk of misunderstandings and confusion are also decreased. The subject is also assumed by the authors to be more comfortable with two interviewers instead of three. All interviews took approximately one to one and a half hours, adequate for the data collection, and longer interviews were practically impossible since most of the interviewees did not have more time to spare. The interviews were located at the choice of the interviewee to make them as comfortable as possible and always according to their time schedule.

4.2.3 The questions

As the interviews are semi-structured in nature, according to Kvale (1996), a guide should be made to make the interviewer clear about what he wants to know and also assure him to collect the answers needed. The guide will contain an outline of topics to be covered, with suggested questions. Each question should be evaluated in both a thematic and dynamic dimension. Thematically it should be considered according to the relevance to the research theme and dynamically with regard to interpersonal relationship, how it can contribute to good interaction during the interview (Kvale, 1996). Therefore six topics were prepared in this study (see appendix 1) with two to five sub questions that will make sure the interviewers are not missing anything, but are leaving it open for following questions that can be brought to mind during the interview. The questions have all been thought of as to make sure to not be offensive but also relevant to answer research questions stated. Some initial ‘warm-up’ questions have been set to make him/her more comfortable to talk about such a sensitive issue.

The interviewers’ questions should be brief and simple (Kvale, 1996). It is important that the interviewee feels that he/she understands the questions and there should be no room for misinterpretations. A strategy that has been used for these interviews is to ask for a concrete example or an experience as the opening question. This is in order to induce the subject to give a richer and more spontaneous answer, which would make the interviewee more relaxed, as well as give the interviewer something to follow up on (Kvale, 1996). The follow-up questions were given throughout the whole interview by any of the two interviewers that found it suitable. The key here is for the interviewer to listen and understand what is important to the interviewees in order to be able to ask the most important questions (Kvale, 1996).

4.3 Method for Analysis

“The point of analysis is not simply to find a concept or label to neatly tie together the data. What is important is understanding the people studied.” (Patton 2002, p.440)

In this report semi-structured interviews are used, where they are adjusted for the person being interviewed, therefore the data collected can have large differences. This becomes a problem when organizing and analyzing the data. In order to organize the collected data one needs to create a system that is consistent over the whole data set (Mason 2002). In this thesis different headlines have been chosen to categorize the data and to make it more comparable, both to give the reader a clearer picture of the data and to make it easier for the researchers in the analysis. Then the data has been organized according to which head-
line it belongs to and not according to any order that the interviewee has told his/her story or answered any questions.

The data could then be read in different ways for the analysis. Mason (2002) mentioned two ways that can be used when working with interview transcript and these will also be used for the analysis of the report. The first way is literally reading of the data, then the interest is in the words and language used, the structure of the dialogue and on the literal content (Mason 2002). This can be explained as listening to and interpreting data just as it has been said during the interview. But it could also be important to read between the lines and make an interpretation of what the authors think that the interviewee meant in the dialogue. This way is by Mason (2002 p. 149) called the interpretive reading and her definition is “constructing or documenting a version of what you think the data mean or represent, or what you think you can infer from them”. This is by the authors found to be very important for this kind of study. Since the report is about emotions and responses it could also be important to infer information from the tone of voice, expressions and body language. This can tell a lot about how a person really feels and not only what they are saying that they feel. Since the topic could also be very sensitive to the interviewees they might not want to say, or cannot really express how they feel. This is why already in the data presentation comments have been made on how the interviewees were expressing themselves. This is also of course very sensitive since this solely depends on the interviewer’s opinions and interpretation and could be different for another interviewer. This is another reason why it is important to be at least two in each interview so that solely individual opinions will be minimized.

For the analysis an inductive approach is used, including discovering of patterns, categories and themes in the data. The researchers then put labels on these patterns and categories in order to make a clear analysis. (Patton 2002) In this case models have been made in order to compare and analyze the data with support from the theories brought up in the frame of reference. According to Patton (2002) the categories could be either typologies or taxonomies. The typologies are categories that divide aspects along a continuum, in contrast to taxonomies that classifies through completely exclusive categories. The categories used here are typologies, which comes quite natural for this kind of research since it is hard to put the people and their characteristics into exclusive categories. One could argue that the subjects have been labeled according to taxonomy in Figure 3, when they are put into four different categories. But they are not mutually exclusive, they can still be scaled as more or less, and according to a different interpretation they could end up in a totally different category, which would classify the category to be a typology.

After making categories of dimensions it is useful to cross-classify different dimensions between one another to discover other patterns that may not have been obvious from the start. This is called the logical process to work between the data and the cross constructions (Patton 2002). This is exactly the process made for this analysis, when the authors took the categories made and tried to connect them and make new patterns and conclusions. Noticing connections between the different categories the figures were created that serve as the base for the whole analysis. Through these figures all the individuals have been analyzed as well as the important differences and linkages between them. All with the support from the theories earlier brought up in the frame of reference.

Since this study is exploratory, that is discovering an original territory; the analysis becomes based on the authors’ interpretations on the interviewees’ emotions and responses. There is no existing path to follow and the analysis is therefore very freely interpreted. Therefore it
is important to keep in mind that since it is an exploratory study there are no hypothesis that are going to be tested but the creation of new hypothesis are going to be made instead. Therefore new further research will be needed in the future to actually confirm that the conclusions made are correct.

5 Empirical findings

In this chapter the empirical findings will be shown. Five interviews have been made and each will be presented below. Different headlines have been given to make the interviews more clear and comparable to each other. These headlines were created with respect to the research questions, the interview questions and the frame of reference. In this way the interviews will be introduced in a relevant way, which will also facilitate the analysis.

The name of the participants will be anonymous; therefore unrelated names have been made up and given by the authors. However, the choice of the names, in some way, reflects on the personality, age and culture of the participants.

5.1 Interview with Lisa

At first Lisa was hesitant about being interviewed due to her busy schedule. However, she gave permission to give call her again if it was necessary. As we wanted a female entrepreneur, we contacted her once again.

The interview with Lisa took place at a café in Jönköping close to her present work place. She is a woman in her thirties, causally dressed with jeans and a sweater and she wore her hair down. Lisa gave the impression of being very down to earth and her answers to the questions during the interview were direct and straightforward.

Background

Lisa and her husband had been working in the restaurant industry for many years before they terminated their full time employment in order to start their own business. When a restaurant was for sale in a smaller community outside of Jönköping, Lisa and her husband saw an opportunity. The restaurant was in good condition and there were no competitors in the area. This was the first time Lisa had started a business and she had some concerns with regard to the potential risks. However her strong vision over-came whatever risks she had in her mind. When starting her business she focused on the future and the positive aspects.

Motive

Lisa’s motivation for starting her own business was mainly based on a life-long dream of having her own restaurant and additionally she wanted to be self-employed. Now when she describes her dream it is not with enthusiasm and energy but rather a sense of sadness and regret.
Business idea
The business idea was to offer lunch to the people in the area as well as to provide a catering service to companies in and around Jönköping.

Support
She received assistance from Almi, an organization that helps small and medium sized companies, and found an accountant who also believed in the business idea. The decision to form a limited company was based on the advice from these parties. This was to separate the private and the business economy. She has always received positive support from her family and friends throughout the business process. However she does not think that the government gives small businesses the much-needed support. Regardless of the fact that only a few companies manage to make profit in the first years no tax breaks are available. She did not receive any start up funding since that is only given to people who are unemployed before starting their business.

Reasons for bankruptcy
The restaurant was very dependent on its customer base, which was built up of local people and businesses. The large turnover needed to make lunches profitable which was hard to achieve. The company had a slow start, according to Lisa; this was mostly due to one of the major customer bases, a local company, lying off several hundred employees who were their regular lunch guests. Efforts were made in vain to focus more on catering. It was difficult to build up a new customer base and it took much longer time then anticipated.

The restaurant was open once a month in the evening for dinner guests however the community was too small to make such activity profitable. The company was very little and had small margins that made it sensitive to any unexpected events. This started a vicious cycle. Lisa describes the journey as a rollercoaster, with some good and some bad months, with the latter taking over in the end. To file for bankruptcy was not an obvious option at first and as much as possible was done with the limited budget they had to avoid it. When the inflow of money dried up completely no other option than selling the company was left to exhaust. In agreement with the accountant a price was set which should cover the debt. However the sum was miscalculated and some debt remained after the sale; consequently the limited company went bankrupt. Lisa had the company for 2½ years and it had gone bankrupt a year from the time of this interview.

Both Lisa and her husband had much experience from the restaurant industry, however neither of them had formal education or experience in business administration. They received help in this area from business consultants at Almi and their accountant. Now after the bankruptcy Lisa says “If I had known what I know today about the market, I would never have started it”. She consider it to be a difficult area to do marketing research for, however when looking back she realized that she should have attempted further before starting the business. Lisa thinks it could have helped if she had taken some courses on how to start her own business as a foundation for the start-up.

She has no contact with the suppliers that were left unpaid. Most of the debt was from taxes and she believes that peoples’ trust for her has not deteriorated because of her reputation within the restaurant industry and among former colleagues. Through the whole inter-
view she was talking about the failure in a rational way, but one can hear the emotions in her voice and the interviewers sense that this is not an easy topic for her to talk about.

**Personal reflections**

Lisa sees the bankruptcy to a large degree as a personal failure. It was psychologically very hard for her and she still gets upset over it. After the bankruptcy she was very angry at herself and everyone around whom she felt was not helping enough. She was also angry at the state with its rules and regulations for businesses.

Today she still feels irritation when thinking about the state. She believes that some things could definitely change to make the climate better for entrepreneurs. It is very difficult to be a small entrepreneur with small margins. Salaries and tax relief for the first year in business were some of the things she mentioned. The society looses much when business start-ups fail. Lisa does not think that many who have experienced a bankruptcy have the energy and will to start anything again. She will have to wait and regain the motivation to do so. If a really good opportunity comes she might think about starting a business again, but she believes it will take many years before she could ever try again.

**Learning**

Lisa has gained a new view to look at the situation of being employed. Both she and her husband have new jobs within the restaurant industry and are both very satisfied with their positions. Her advice to others who are considering a start-up is to “think hard and do thorough research”. She believes that in order to succeed one should have both industry knowledge and business knowledge. When thinking back on her experience the thing that she would have done differently is that she would have had more emphasis on the catering from the start and not only focused on the lunches, since the area has a limited market and the development possibilities were very hard.

### 5.2 Interview with Johan

It was not easy to convince Johan to agree to an interview. First it took many calls before he was reachable. When talking to him for the first time he said that he would rather not talk about the bankruptcy and that he was not up for an interview. After many tries to reach him again, a second chance appeared to talk to him. This time he was also rather reluctant to participate but gave a vague promise to participate but wanted to call back later to confirm. Due to the authors’ time span they had to call him a third time to get the interview. This time he seemed more convinced but he said it was hard to talk about the past and that he was very afraid that what he would say would be used against him in the public. The interviewers assured him that this would not be the case and after some time he changed his mind and a date, time and place was set with a promise to show up.

The interview with Johan took place at a cafe in downtown Jönköping. He is a young man in his early thirties with a sense of style. When the interview started it seemed as if Johan had a great need to talk about what had happened, and was despite his reluctance to participate very open in the interview.
Background

Johan grew up in an entrepreneurial family. Both parents were entrepreneurs, his father in construction, and his mother within health care. Johan started his first business in ninth grade, which was a café. Already then he had a clear vision that he should have businesses in three different industries in the future; café, catering and retail. Johan has studied economy and trade in high school but is without a formal university degree. He has also received training in sales and trade within company. He says that he does not enjoy studying but rather he sees himself as a “gambler”. About his time in school he says: “I could not see the reality in books; it was too much history, too old books”.

He had his café as a ground to build upon and also started up a catering business. Later on he had others to work for him while he proceeded with his interest in retail. But eventually he sold his café and his catering business realizing that he did not have the energy to have all of them at once and instead put all his effort into his retail business.

Motive

“My motivation was that I hate being employed”, is his answer to why he is an entrepreneur. Johan says that he wanted to feel that he could make a difference and decide himself what to do. The reason for starting a shoe store was an interest in fashion and clothes.

Business idea

Johan has a strong interest in fashion and in order to learn about the retail industry he became employed by a friend in the business. He came along to trade fairs in Denmark and got valuable connections, which he enjoyed since he also likes to travel. However the trade fair was a bit too high class for his taste. His idea was to open a store that would be a relaxing place to meet people. The plan was to start the clothes store in a year from when he became employed which he also did. He became the agent for Sweden, which resulted in many contacts with other business owners. For a while he could combine traveling with the clothes store, but in the long run it did not work and he decided to put his focus on his store. Eventually he sold it and started a shoe franchise instead. He bought a limited company as a ground with enough capital and called other franchisees to see what they had done. He got the franchise by offering a very good location for the store. With this offer he got a deal and opened his store with a lot of enthusiasm.

Support

Johan has strong support from his family and he feels that they can understand him better since they are entrepreneurs as well. Before the bankruptcy Johan felt that he was very popular among his friends. “In a small town you are popular when things go well, when you can offer something, but afterwards when you have nothing to offer you are worth nothing.” Johan offered both clothes and shoes to his friends and because of his connections he could help whenever something special was wished for, but after the bankruptcy he lost many friends. For Johan his friends mean a lot and today he sees friends and buddies as two different things. Buddies are those who want special prices and deals while friends are those that you can believe in and have trust in. He says that his friends were the ones that gave him most support during his intensive period in life. He thinks that if you have as many friends as fingers you are lucky. He says that he did, before the bankruptcy.
Today he has one true friend besides his business partner and parents. “You lose one after the other”, but now Johan says that he knows better. With a lower voice he says that he has a background of being bullied in school and that it is hard to be situated in his hometown when those who bullied him probably feel good about his failure. Johan was keen on helping others, but now believes that this can also be negative. He has unselfishly helped many people. Now he has learned from people that he helped that one should make sure to get compensation and that he has himself to blame if he was stupid enough to help them. Today he is trying his best to be tougher and to get paid for his expertise. He says that he can notice a big difference; he gets another kind of respect.

Johan did not have any support from the government and authorities and has been afraid for the last two years that they would come after him. He does not believe that the Swedish government takes care of entrepreneurs. According to Johan there are no small entrepreneurs, only parts of a big enterprise. He believes that the wrong concepts are being taught to students and that there should be a broader picture when teaching business strategies because there are many differences between companies. He has some experience from ‘Nyföretagar centrum’ in Jönköping, an organization that helps entrepreneurs to start businesses, but does not feel that he got the support that he needed. “They put you down from the beginning”, and he believes that it is better to go straight to the bank. That is his experience and he talks about the authorities with strong negativity.

**Reasons for bankruptcy**

The store was located on the second floor in a central mall, which Johan says is not the optimal location and that it is better to be on the first floor. There were no other popular stores around and the shoe shop had to rely on itself to get customers to visit the mall. After a while the property owner started a construction of the mall as well as the parking facilities, which affected the shop in a negative way. During a whole summer it was dusty and messy. Johan panicked and spent too much money on marketing without any results. After the marketing was done not enough money was left to pay the suppliers and additionally Johan paid himself generously. He also had the wrong employees for a while which lead to money disappearing from the cash register. The ideas about moving the store to another location could not be fulfilled since no such place was available. In order to save the company and get capital to pay the suppliers he started another franchise, but this action was taken too late. He also sold off the store to the franchisee to save both parties, but there was not enough money left in the limited company to save it.

Johan put most of the blame on himself. “I believed too much in my idea. It was my fault that it went bankrupt but since it was a franchise it could have been saved. It was a bad contract and I was warned before signing it but I disregarded these comments due to their negative tone. I tried to be smart and rented everything so the state could not take anything. I did not think that the state was as tough as it was. I was too young and cocky”.

**Personal reflections**

He first realized the threat of bankruptcy when he got a paper in the mail that he had to file for bankruptcy. The idea had not even crossed his mind before. He had been thinking about selling it, but there was no money left in the company and he let the authorities have it instead. Johan took the bankruptcy very personal and says it was the worst thing he has ever experienced. “I lost my spark, I had no energy left”. He went from having three mil-
lion in cash, to 8 million in debt. Johan went into a depression when he had no money left and the company was worthless. He felt as he had nothing.

He had guaranteed himself for 500 000 in the contract which he sees as a big mistake today. This line in the contract was the reason why he also went into private bankruptcy. Since it was a franchise everything was rented and the state could not take anything in the bankruptcy. Instead they took his house and the bank got money from the sale. Nevertheless some debt still remained. “Then I gambled a bit, stupid as I was”. Johan turned off his phone, and tested how much time it would buy him; he did not have any energy left and remained unreachable and isolated for the summer.

The strongest feeling that Johan expresses is that of humiliation. “It was humiliating to go bankrupt”. The worst was not to go bankrupt but rather to have to sit at the Enforcement Authority (Kronofogden) and answer their questions. He felt as if they treated him as a child and the worst part was to be questioned. That is also why he did not want to participate in this study at first. Another humiliating thing was when the bankruptcy was posted in the newspaper. He tried in the end to fight to avoid this from happening. He had friends he thought could help and lend him money, but it did not happen. He says that he might have been able to save himself from being in the newspaper if it was now. He expresses much anger against the city of Jönköping. He uses a metaphor that Jönköping is as a gossip magazine. He thinks it is difficult that he cannot be anonymous, and that he did not even have the opportunity to travel abroad during this time.

Johan knew it would be hard to come back after the summer. He says that he has no references since he has always been on his own. He got in contact with the ones he knew and told them that he was interested in anything they might have to offer him. One day he got offered a job that he accepted. Today Johan works as a consultant selling his know-how. He is not allowed to take bank loans for another five years and can not start another business but he can be a joint owner of a company. So today he has a recruitment company together with some friends. He sells his own services and has learned to charge for it. He knows that if he has a business he has to live on minimum expenses for existence. He has thought about the fact that if it had gone even worse he would not have been allowed to start for another 10 years. He has never stopped creating new ideas but his energy is not at the same level any more. He thanks his parents that he is an entrepreneur today. His goal is not to retire; he will work until he dies. Work is his lifestyle.

Learning

Johan has learned a lot from this experience. The first thing he thought of is that one should not do business with Danish businesses because they have different laws. Banks in Sweden are more hesitant to provide a loan when doing business with the Danish. He will also look more closely at contracts. The other thing he says is to have people around you that you can trust and that believe in you. You should have a good lawyer both in business and private, a good bank connection and someone in the industry. Next time “I will have the people that I need. I have always known that I need other people but I want a partner with the same enthusiasm, because I can’t go through this one more time alone”.

His goal today is to work and gain money to start a new limited company. He has not been discouraged from starting something new. That is the only option for him. He might continue with the consulting, but he has been discouraged from starting a store in his hometown, but he might consider it somewhere else.
5.3 Interview with Åke

Åke agreed to be interviewed on the first phone call. The interview with Åke took place at a café in downtown Jönköping. He seemed like a trendy man in his fifties and wore a modern suit and a purple turtleneck sweater. He had trendy eyeglasses and seemed like a very confident man with much experience.

Background

Åke has a long background from working in the military. He was head of a regiment and worked a lot within communication system in the military. Before he left the military he was offered a trainee position in Tetra pack. The company did not accept commute from Sweden to his placements abroad so the family had to join. Shortly after this he started his own company, which included transferring goods such as bicycles between different markets and earned a profit on the price differences.

Åke has always had several companies running, and not been dependent on one single company if he has been forced close. He says “you always have to put your eggs in different baskets”. He has put four companies into bankruptcy in the past. Two of the companies were his own, and the rest were shared with other business partners. The first bankruptcy was the most difficult one but he got help from a friend who had a law firm. The friend helped him with the different issues that needed to be considered and filed for a bankruptcy. However, as he had other companies at the same time he was not as dependent on the failed business.

Motive

The motive for having his own businesses is the challenge, he says with an excited look in his eyes. Åke finds it difficult with working for someone else, from 8 to 5. The motive for starting this specific company was to get financial resources to start up larger projects.

Business idea

The company that he went bankrupt with was a consultant activity that he has had since the middle of 90th. This was his own company and he was the only employee. It was running simultaneously as several other companies that he fully or partially owned. Today he has four companies but is mostly working on a large project in Italy.

Åke works to a large extent with economic unions as it does not require 100 000 SEK as start up cost and is still separated from his own economy. The only cost that it involves is a fee of around 1000 SEK and it also gives him the possibility of having several activities within it. When one has several businesses simultaneously there is possibility of having them as different companies separated or combine them into one company. However, the risk of putting each activity in the same basket is that if one activity is not successful it would harm the rest of the activities. In contrast, if you have them separated and one fails it is always possible to pull the plug on that company. This is a good strategy according to Åke as if it is not a joint stock company, there is no loss of 100 000 SEK, only the fee of 1000 SEK. He always protects himself by not having private firms where one has to take all the risk on oneself.
Support

Åke experienced difficulties to get financial help from official sources; therefore he sold his car in order to raise capital for the consulting business. He believes that the real sacrifice with starting an own business is the social sacrifices, both capital and time. If one is not ready to make a social sacrifice, they should not start their own business.

The usual reaction he gets from people around him is “why do you not just go and get a job”. This makes him see the difference between his real friends from acquaintances. Friends help and give advice, acquaintances does not care as much about your interest and therefore you do not have to listen to them. The bankruptcy has not affected Åke’s connections and support in a negative way with his business partners. The other owners to his projects still have total confidence in him. The only source where he does not feel support is the Swedish authorities. They have not been willing to grant him for funding or loans neither before nor after the bankruptcy.

Reasons for bankruptcy

The main reason for the bankruptcy was that the project in Italy was too time consuming. The project had the capital needed to expand so he found no reason to continue with the consultant agency as he did not have the time needed. When he started the consulting company, it was his main business. But eventually it had developed to a less important activity and he did not get a great amount of revenues from it. The situation was that he had to go bankrupt, or raise 89 000 to taxes. Therefore, he chose to go bankrupt, and he did not feel any grief. He blames the bankruptcy solely on internal reasons since he himself was the one who put the company into bankruptcy, as he wished to do. He says that there are game rules that have to be followed. If a company is not generating any money, there is no reason for keeping it. Åke says that he does not feel any moral obligations towards the government i.e. raising money to pay the debt to them.

Personal reflections

When he was asked about his family life, Åke says that he has had four divorces (is now on his fifth marriage), “that says it all, doesn’t it”. It has not been easy for him to have a typical family life when he has worked and traveled a lot. He personally does not believe that a family can have two persons that are working, at least not making careers. Åke believes that it would not be a fully functional family. When he started off working he lived for work, but now he knows better. When he travels with work he takes a couple days off to discover the places he goes to, since he has a great interest for history. He can distribute the work himself and does not have to work exactly 40 hours a week. Work is a part of life itself, but he enjoys it. After all, he has the possibility to discover and experience more because of his way of living life.

When talking about nationality, he considers Swedish people to be quiet and reserved and they never brag about money, salary or saving. He considers this to be a part of the Swedish jealousy trait. In the US, they are happy for others’ success. There, if you have gone bankrupt ten times it proves that you believe in yourself, you tried and had bad luck. In Sweden you show entrepreneurship, success and wealth in a totally different way. There are only safe players in Sweden and the authorities have a lot of control over all people. Forms are filled out on everything that we do, everything is documented on computers and ana-
lyzed. Everybody who starts a company has to be documented and if they refuse to fill in the forms it is hard to start one. If in the US, a company is closed and many jobs are lost, the communities start other things to create new job opportunities. But in Sweden they call the government for help and get funding for a year and then they get nothing more.

**Learning**

Åke does not believe that he has learned much from this specific bankruptcy. However, he learned a lot from his first bankruptcy especially about the paper work. Today he feels confident and knows what to expect therefore he sees the process as rather easy. It only takes a fax and to write to the court and request for bankruptcy because of lack of financial resources. Then one has to go under oath, and request for going abroad the time for the finalization of the bankruptcy, most often a couple of months.

It was planned to cut of the company off eventually although this plan was not presented to the bank as they would refuse to give loan. It all depends on how one present the strategy and the structure of the firm to the bank. As long as the banks are sure that there is minimized risk of losing money they will agree to a loan. Åke believes that even if a persons company goes into bankruptcy he/she has to stand strong and not hide. He still has his own consultant company for a few banks. However most of his time goes to the project in Italy. This he would say is his big passion, a real challenge.

**5.4 Interview with Rahi**

When Rahi was first called up he was very hesitant to talk about his experience of his company’s bankruptcy. He seemed very upset merely talking about it, but after some convincing words he agreed to meet up for an interview. Already on the phone he starts telling the story about his bankruptcy and one could clearly understand whom he blamed and how angry it made him feel. It was difficult to stop him from talking about the bankruptcy on the phone and a gentle interruption was made in order to decide a time and place for the interview. The afternoon meeting with Rahi took place in a small cafeteria in the computer school that he currently goes to in Jönköping. At first look, he looked very unsociable and he shook our hand steadily. One could see it in his eyes; he had been through a lot, still suffering from the past. He was a man in his forties, wearing jeans and a sweater. After a while, when he started to feel comfortable he opened up and told his story.

**Background**

Rahi comes from Pakistan and has lived in Sweden for twenty years. He has worked in the restaurant business during his whole life and has a chef diploma from his home country. His career in Sweden started out in Stockholm where he worked as a restaurant assistant, mostly doing the dishes, but after a while he started to work in the kitchen. Under the head chef’s supervision he could become a chef himself after a few years. He worked at this same restaurant for ten years before he tried out working at other restaurants. Rahi really liked the atmosphere in Stockholm, the city, the people and the business life. After working at different places for a few years he moved to Jönköping after getting the chance to take over a restaurant. Another strong reason for moving to Jönköping was that he had some relatives living here. The restaurant that he took over was owned by an older couple.
before, and instead of paying them, he took over their loan on 600 000 SEK. After finishing this debt, the restaurant was going to be his.

**Motive**

This was the first time he owned his own business and it was his dream for many years working as a chef. He believes that if you are working with the same thing for a long time, you want to have your own place. His motive with the restaurant was to make a good life for his family.

**Business idea**

The business idea was not his own since he took over the restaurant and continued with the existing concept. He continued having the same kind of food and the same interior.

**Support**

Rahi had a lot of support from his family when starting the restaurant, and he even had another restaurant together with his brother. His wife worked together with him in the restaurant and sometimes his children came there too. They always closed the restaurant one hour in the afternoon so they could go home and see the children. All his family moved to Jönköping because of the restaurant and he had friends that were there for him as well. The employees working for him were youths and trainees. When talking about his family one can sense that he is really a family man that does everything for his family.

After the bankruptcy he feels that people are looking at him differently because he is living on social subsidies. His children do not understand why their father is not working anymore and the authors could sense that he was ashamed for his situation. He would also not count on being able to work with the suppliers that did not get paid because of the bankruptcy and he has also problem getting loans from banks. When going bankrupt there were two months of payments, together almost 100 000, to suppliers that he did not manage to pay. He feels that he has always been treated well in Sweden but he does not think that the small family businesses have the support they need from the government. Rahi believes that there is more support for the larger companies and, especially in Jönköping; the wrong people are in power positions.

**Reasons for bankruptcy**

Rahi had debts to the tax authorities and after going to court with the matter they came to an agreement and made a plan for the payments. Further, the main problem was the permit authorities who wanted to take his permit for selling alcohol after accusing him of selling alcohol to people under age. These accusations he took total distance from and said that he never sold to minors and the only reason they came after him was that he had a debt to the tax authorities. However, later on in the interview he says that even though he was in charge of the restaurant he was always in the kitchen working as a chef and could not control everything that was going on in the bar, and that they actually did have some problems with the selling of alcohol.

When Rahi refused giving up his permit, the matter came out to the newspapers on three occasions. This gave him a bad reputation, which led to decreasing amount of customers.
When he started to loose customers he lost a great deal of his revenues, which lead to that he could not pay of his debt to the tax authorities. Before this he had never been late with payments neither to the bank nor his suppliers. He mostly blames a particular lady from the permit authorities, as he is sure that she was working against him. Rahi felt that she had something personally against him as she helped others from the same problem he was facing. Since it is essential for the restaurant to get the income from serving alcohol, it gave him less financial resources to pay the debt to the tax authorities.

When talking about the reasons for his bankruptcy he gets very upset and angry. It was difficult to put in follow up questions, as he was quick to interrupt immediately. One should note that he was very eager to tell his story as it was told three times during the interview.

**Personal reflections**

Rahi does not see this as a personal failure and is to a certain extent able to separate himself from the company. He believes that he would only be a failure if he had not struggled hard. In his case he feels that he has put down an immense time and effort in his company, seven days a week and at least ten hours a day. Despite this he was happy, this was what he wanted to do, work for himself and for his family. He did not want to go bankrupt, but he is only a small person and could do nothing when the authorities were against him, and no one helped him. He seems very sad when he tells that he had worked like a slave and finally managed to get a new life for his family. The bank loan was paid off and suddenly he lost everything.

For three years the permit authorities harmed his business, he was under a lot of stress and developed eczema. The tax authorities were nice and shrunk the debt by 40 000. The permit authorities however were not as helpful. According to Rahi, people around him knew that the permit authority was the reason for his bankruptcy. He was really mad when he had to turn in the papers for the bankruptcy; he reacts directly when someone talks about it, because they got the wrong person.

**Learning**

Today, Rahi is unemployed and his family is living on social subsidies, but he looks at it as they are giving a punishment to the society. Before the bankruptcy they gave 15 000 SEK a month in taxes and now they are getting 16 000 in subsidies. It is something wrong with the system, he does not want to do this, and he would rather like to work. He is now studying to get a diploma for the restaurant business because the employment service wants to have his knowledge on paper. The teachers are wondering why he is in such a hurry to graduate; his answer is that he is very eager to start working again. Rahi is not afraid to start working again; he manages to cook all sorts of food, both European and from other continents. His plan ahead is first to find a job and then move back to Stockholm. He expresses that he does not like how things are in Jönköping, as he does not see any possibilities for him here after the bad experiences he had.

His dream is still to have his own restaurant, but it is difficult to get a loan for seven to eight years now after the bankruptcy. The first step is to pay back the debt to the tax authorities. It is not easy now, but if he still had the restaurant he could pay it back in one year. He is 43 years old and he feels like he has missed his moment in time, he does not
know if he has the chance and time for another attempt of having his restaurant. He stresses the point that he has to think about supporting his family now, nothing else.

If he would start up again he would have Swedish food in his restaurant, an A’ la Carte restaurant. He strongly believes that the lady from the permit authorities took him personally and this would have been different if it was a different restaurant. Other restaurants in the same area, which have been through the same issues to sell to minors, had lost their permit for a month before getting it back again. Now he wants to fight, first for his education and then to continue with life. He has trouble being unemployed, since he has always been working. Rahi believes that he, as former owners of a small family business have to get the chance of living a better life.

5.5 Interview with Gunnar

Gunnar was not interested at first in being interviewed, but after convincing him by letting him know that interview was anonymous, he finally agreed. However, the interview was cancelled once and was rescheduled. The interview was going to take place in Gunnar’s home in Gnojö but this was changed due to personal matters and the interview was made at his work, a factory plant in the middle of Gnosjö. Gunnar is a short man with merry eyes and a big mustache. He was very open in his conversation; he liked to tell stories not only about himself but also about his family.

Background

Gunnar had worked as a technical manager in a company producing laser machines, for their head office in Paris where he earned 80 000 SEK a month. His family was settled in Gnosjö while he was traveling for over 200 days a year for his job, why he created a lot of good contact with foreign and domestic distributors. This led to his idea to start importing pipes to Sweden. At first he only imported pipes and sold them to customers, but after a while he started to have his own machines where he could cut and customize the pipes which gave him a chance to earn more profit.

Motive

He realized that he had a good idea that he wanted to actualize. He was tired of traveling 200 days a year and he had a dream of starting his own business. He started making action plans and when everything was ready for the start up he told his family about his plans. They realized the opportunity and how important this was to him and therefore gave him their full support.

Business Idea

Gunnar’s business idea was to import pipes from Europe and sell them to companies in Sweden.

Support

He had, as said before, a lot of support from his family, and his daughter and son even worked for him in the company. He also had a lot of support from the distributors that he had former contact with. They gave friendly prices on the raw material and he always got
first class service, even though his company only operated in small volumes. The first year he already had a turnover on 4.3 million SEK. Gunnar did not find so much support from the tax authorities. As he had created a joint stock company, they drowned him in paperwork, which he found unnecessary for a small company that was not even public. They also came and accused him for not taking care of his books correctly and gave him extra work. They were also threatening him since he refused to tell the purchase prices from the pipes that he bought.

Since the company was growing very fast and he did not like all the paperwork at all, he wanted some help that could ease his burden. Therefore he accepted an offer from a Swedish company that wanted to buy half of his business. He got advices both from his family and friends absolutely not to sell it, but he would not listen to them and sold half of the company. Now afterwards Gunnar does not feel that his friends and family sees him differently. However, he feels that some customers and distributors have lost faith in him, as well as the authorities.

**Reasons for bankruptcy**

The selling of the firm that first seemed as a good idea for Gunnar and unburden from paperwork, turned out to be the opposite. Instead of helping him with the paperwork, they through their inexperience gave him even more work. Gunnar had to struggle harder and harder to make the business successful and it came to a point where he wanted to sell the rest of the company to the buyers. But instead of buying the rest of the company, they put it into bankruptcy and Gunnar lost all the financially resources he had put into the company. Instead of blaming only the buyers for the bankruptcy, most of all he blames himself. He blames himself for his stupidity of selling half of the company and for not listening to his family and friends.

**Personal reflections**

Gunnar does not see this as a personal failure, since he is able to distance himself from the company and was not affected emotionally, mostly by the financial lost. He had not put all his financial resources into the company and therefore he has now no difficulties to move on and manage the financial aspects. Although, he worked four years with the company and is of course sad that he had lost his business.

He experienced having freedom by his own company. You control yourself, but the negative side is that you drive yourself much harder. The workweek is 70-80 hour week instead of 40.

**Learning**

Now he is employed in an industrial company, where he started working even before the company went bankrupt. If he looks back the only thing he would have done differently is to not sell a part of his business.

Gunnar has a new business idea with his own invention. He has no plans of making it a large business, this will only considered it if it becomes very successful. This time he will not put any money into it, only make some prototypes to sell over the Internet. This will be his only source for sales and marketing. He has learned that it is better to start a private
company first and then when you have made profit start a partnership. Having a joint stock company only requires a lot of capital, paperwork, having to pay prior taxes, and in need of accountants. Some tips that he concluded with was; “just do it!” “There is no shame in failure, only shame in not trying after getting an idea” and “failure does not make you rich but wise”

6 Analysis

In this chapter, the literature and the empirical findings will be analysed in light of the authors’ viewpoint. It will be presented as a cross-study analysis. The disposition is made with respect to the research questions.

The first part discusses the factors the entrepreneur blames on as the reasons for the bankruptcy along with the authors view on what can have an impact on these factors. The second part deals with whether the entrepreneur sees him/herself as a failure i.e. how personal he takes the failure and if he can separate himself from the company. In the third part the role of the cultural aspects are discussed. Lastly, the final section will give insights into what extent the entrepreneur has learnt something from the bankruptcy.

6.1 Factors which the entrepreneur attribute to a failure

When analyzing the interviews and looking for similarities and differences in the response of the interviewees, certain patterns were discovered. One pattern that we found were the connection between what factors the entrepreneurs are blaming on and how we perceived the interviewees to be entrepreneurial. According to our findings the more entrepreneurial a person is, the more the person blames internal factors instead of external. To be able to compare this we placed the entrepreneurs into categories according to what we found them to be blaming on using Weiner’s (1985) attribution theory where he is labeling the attribution factors to be internal/external factors and at the same time stable/unstable. To rate them according to how entrepreneurial we consider them to be we use Kreuger’s (2002) entrepreneurial traits. To illustrate this we have created a model where this connection can be visualized.

The explanation for entrepreneurial people to be blaming mostly on internal factors we believe have most to do with the fact that entrepreneurs are seen to have a great internal locus of control (Rotter 1966). Since they like to be in control of their own destiny they also want to control their failures. When looking at the underlying dimensions for attributes blamed on by each interviewee, one can see a relation between these and their entrepreneurial traits. One should note that the discussion would include different attributions for each person. However the factors put into the model are considered to be the most crucial for
their responses. The reason for placing the stable factors before unstable factors in the figure is because stable factors are not changeable and should then be more hindering when getting past a failure.

Figure 3, Attributes and entrepreneurial traits.

Rahi has been placed on the left end side because he is solely blaming external/stable factors and does not take any of the blame himself for going bankrupt. The attribute he blames for his failure is the permit authorities, which has to be considered as an external factor, beyond his control. The dimension of the permit authorities is viewed as stable because it is an authority and thus has rules and regulations to follow and is unlikely to change its behavior. One could argue that this attribution is an unstable factor since Rahi himself is only referring this to occur in Jönköping and not in any other city, but we have chosen to label it a stable factor, since he could not change it if he started the same restaurant again.

This could also explain that anger was the strongest emotion when handing in the papers for bankruptcy, since according to Goodwin et al. (1997) people that are blaming on external factors do mostly respond with anger and grief. In addition Cannon (1997) mentions that the externalizers express vulnerability by showing anger and grief. After hearing Rahi say that they actually did have problems with the selling of alcohol and he could not keep track of what happens in the restaurant, we could assume that he actually knew that something illegal had happened but took total distance from it because he did not do it himself. He stressed that he could not control things that happened in his restaurant although we consider he should, as he was the manager. It seems like he is in denial and uses his anger at the permit authorities to push back his own thoughts that they might have had a ground for their accusations and that it actually was his responsibility to look after his own restaurant. His intensity when telling his story during the interview could be that he is trying to convince the interviewers his story and at the same time convince himself.

Rahi scores the lowest when considering him according to Kreuger’s (2002) entrepreneurial traits. He has some need for achievement since he took over and ran his own restaurant, but the biggest motivation was to make a good living for his family. It was not as according to Kreuger (2002) that stated that entrepreneurs have high desire to reach for success with the measure of money. Neither does he have high internal locus of control since he does not really consider himself to be in charge of his situation, and his problems are beyond his control. An example is that even though he was the owner and the boss of his restaurant he did not take responsibility for what has happening beyond the kitchen. He does not show signs of any risk-taking propensity since he does not want to take any risks or chances, he just wants to make a good living for the family and have safety and security. Neither did he show any of the traits of problem solving or innovativeness since he did not
have much own ideas but was more interested in buying an existing restaurant that he could make a living out of. He wanted to realize his dreams by buying an already existing company rather than starting his own.

Lisa is blaming the customer base as the reason why her restaurant went bankrupt. This attribution can be seen as an unstable external factor. It is external because it evolves the environment around the company and unstable because this is not a permanent condition, and it can change in the future (Weiner et al, 1971). She also blames herself indirectly by saying “If I had known what I know today about the market, I would never have started it” however this is not something that she herself can relate to and see as a cause. This could be related to Cannons (1997) theory about the internal response to failure. She put some of the blame on herself for not being aware of the true nature of the situation. But at the same time she is telling herself that she could not have been aware of it since a marketing research was almost impossible to conduct. We believe that she is in denial since she wants to believe that the bankruptcy solely depended on external factors and that she could have done nothing to prevent it from happening. It can be easier to blame external factors than internal factors such as her possible lack of ability.

When considering Lisa according to Kreuger’s (2002) entrepreneurial traits she has some need for achievement; however she waited a long time before she committed to her dream of starting her own business. She is afraid of taking risks since she wants to have a lot of security before starting her own business and a safe concept. She also has low internal locus of control since she believes that it is the circumstances and not she that create opportunities. If referring to Rotter (1966) she seemed as, before starting her business, having internal locus of control; that she could control her own destiny and put back all the thoughts about risks that could come with starting a restaurant. She was convinced that she could make the company succeed. But now afterwards she seems like having more external locus of control, thinking that she cannot really achieve a success herself. As she said, “if a great opportunity comes along” she might start something again but she does not think that she herself can create an opportunity. It would have to be such a great opportunity that failure is not possible. We believe that a perfect opportunity is not created by the world and given, rather recognized by and created together with an individual.

Moreover Liao (2004) stresses the importance of human capital for the entrepreneur. The human capital is knowledge, education, previous experience of starting business and experience of working in the industry. It is suggested that this is a key point for the entrepreneurial success as higher level of human capital decreases the risk of failure. When talking to Lisa we got impression that she was lacking knowledge about business before entering the market. She had no formal higher education but much knowledge from the restaurant industry.
We though consider Lisa to have some problem-solving potential; she tried to make some changes at the restaurant when things went bad to make it go around. But despite the effort the changes were not enough to help the business come around.

![Diagram showing traits of Lisa, Gunnar, Johan, and Ake]

We consider Gunnar to mostly blame internal, unstable factors for the bankruptcy. He blames the company that bought half his business, which is an external, unstable factor since it is beyond his control and solely depends on the other company. However, it is changeable since he did not have to sell the company and the people buying could have been different. But he mostly blames himself for failing with his business thus an internal factor. Gunnar blames himself for being stupid enough to sell half of the company, and think that he should have known better. We consider it to be an unstable factor since he says himself that he would not make the same mistake again, and he would have done it differently if it was today.

When looking at entrepreneurial traits, Gunnar has a need for achievement in the way that he needs to realize his ideas. He is very innovative and even though he does not seem like a risk taker anymore, he is fond of challenges. His risk-taking propensity seems to have decreased as he took a very high risk when quitting his job and started his limited company. But now afterwards he seems to play it safer, starting in small scale with his new business and seeing where it goes. He has also a high internal locus of control. He believes that he is the one in charge of his everyday life and that he can change it by his own efforts.

Johan is blaming several things as the reason for the bankruptcy. At one point he blames the location of the store and the construction that took place. These attributions can be seen as external, unstable factors. The locations can be changed and the construction is only temporary. However the major causes for the bankruptcy he blames are internal attributions. Johan is blaming both his own lack of qualities, as being ignorant of risks, too enthusiastic and also panicking and spending too much money on marketing. He mostly blames his own eagerness and ignorance, which also are attributions with internal dimen-
sions (Weiner et al., 1971). We consider them to be unstable factors since he already himself believes to have learned his lesson and will do it different for next time. This could also be referred to Cannon’s (1997) theory about internal response to failure. One of the areas is ‘because of whom I am’, which fits well in the description of Johan’s internal response to his failure. He believes that it is his personality and way of seeing the world that have got him into all these problems. He now believes that through new values and standards he will make it different in the future.

Johan seems to know himself very well, at least in the sense that he is aware of his weaknesses. We believe that this is one of the traits that he will personally benefit from. By having a high internal locus of control (Kreuger, 2002), he believes that he has the power to control his own environment. One should note that Johan does blame himself for the failure but he still has a lot of self-reliance. During the interview he stressed the point of how he wanted to pursue his own idea and that he always strives to create his own opportunities. Johan even started his first business already before high school, which can be a proof that he believes a lot in his own ability and is not afraid of taking risks. This can be compared with Mueller & Thomas (2001) theory that the entrepreneur is a self-motivated person and that he/she relies more on him/herself than on others. Johan has always created his own opportunities and relied on himself. This is one of the characteristics Brockhaus (1982) mentions as entrepreneurial, namely effort and responsibility. By actually admitting his own weaknesses he takes responsibility for his actions.

Johan also has a strong need for achievement. He has to accomplish things as well as he needs to prove for others that he is successful. He also has a lot of creativity and problem solving propensity, not only because he has started something new after another, he also creates solutions for the problems in his current businesses. Why Johan ends up further to the right than Gunnar, is that he is both blaming more on internal factors as well as having stronger entrepreneurial traits. When looking at risk taking propensity and need for achievement Johan is very strong. He hated to be unemployed and does not like to live the safe life.

Johan grew up in an entrepreneurial family where both parents were entrepreneurs. McCrath & Cardon (1997) says that entrepreneurs are a group of people with over confidence and very strong faith in their abilities. We believe that this could be seen in Johan. There were two things mentioned about Johan’s childhood. In one way it can be seen as safe and encouraging by his family, while at the same time he was not popular among other kids and now he feels like it is his time to run the show. We believe that his childhood has a great impact on his way of behaving in his adult life. This can be seen as a strong motivation for having his business.

![Figure 3, Attributes and entrepreneurial traits.](image-url)
Åke blames himself for the bankruptcy, thus his failure can be seen as solely depending on an internal attribution. However what has to be considered is that he does not see it as it was his fault but rather a choice he made. He spent more time and effort on his other project with the intention to put an end to the business eventually anyway. This could be interpreted as an unstable factor since it was his own choice and he could have decided to spend his time differently at any point in time.

Many of Kreuger’s (2002) entrepreneurial traits were found in the interview with Åke. He seems to have a very high need for achievement with the desire to succeed. He has a high level of risk taking propensity and does solely see it as exciting to engage in entrepreneurial activities and would never be able to live without some level of risk. He has a very strong internal locus of control since he always creates his own opportunities and has a high belief in his own abilities and that he can create his own destiny. All his different companies are a strong proof that he is also very innovative. We found both Johan and Åke to have the strongest entrepreneurial traits; their life is to be entrepreneurs. Åke was placed to the right of Johan in Figure 3 because his spirit seems to be throughout entrepreneurial, and he does solely do it for himself and his own need for achievement. Johan on the other hand seems to have a lot of desire not only to do it for himself but also for showing others.

![Figure 3, Attributes and entrepreneurial traits.](image)

Non of the participants blamed their failure to attributes with internal/stable dimensions. To blame something internal and stable would be to actually say that it depends on some personal trait and their own lack of ability and that they can do nothing about it in the future. It would be to admit for oneself and the rest of the world that you do not have the personal abilities to do this. This we believe is not easy to admit even for yourself and might be negative for your confidence. It would also make it more difficult to move on and to create a strong believe in your self and your own abilities. Even though Lisa at some point talked about her own lack of ability she did not believe that it was something experience or schooling could not help.

### 6.2 Does the entrepreneur see himself as a failure?

According to Cardon et.al (2005) the level of separation between the company and the entrepreneur depends on the emotional attachment to the company. How attached the entrepreneur is to his company has a great impact on the reaction after the failure and how they can move on afterwards (Cardon et.al, 2005). Since the way that the entrepreneurs are able to cope with their failure has a lot to do with how personal they take it, we searched for some patterns that could explain why some take the failure more personal than others.
When analyzing how personal the entrepreneurs took the failure we noticed some patterns that according to our research could give some explanations to this. First we noticed that the persons that were more experienced with failure previously could more easily distance themselves from their company and the bankruptcy. This could be a confirmation of McGrath and Cardon’s (1997) statement that previous failure experiences are a factor, which can affect the level of separation and thus affect how to overcome the failure.

Another thing we noticed was their motive for starting their company. The ones that had all their private finances dependent on the company took it much more personal when they failed. This we believe can have the explanation that if the private economy gets devastated it also becomes more of a personal failure. There are also other motives that can affect the level of separation from the company which we also will discuss in the analysis to be a contribution factor, but for the model created here we only included the financial dependency since this was most obvious and measurable. We are also aware that these factors, motive and experience are not the only factors that affect how personal one takes a failure, but these were the only ones discovered as concrete and noticeable when comparing and analyzing our results.

Figure 4 below gives an overview on how these factors can be related to whether the objects take the failure personally or merely see the company as failed.

<table>
<thead>
<tr>
<th>Low experience of failure</th>
<th>High experience of failure</th>
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<tbody>
<tr>
<td>Johan</td>
<td>Åke</td>
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<tr>
<td>Lisa</td>
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<td>Rahi</td>
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<td>Gunnar</td>
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Figure 4, Personal failure

Johan took the bankruptcy very personally, and he expressed that it was the worst experience in his life. He says that the strongest feeling was humiliation. It was humiliating for him to go bankrupt and to have it publicized in the newspaper. He was devastated both emotionally and financially after the bankruptcy and it had a large negative impact on his life. When looking at his background and experience in the past, he does have a great amount of experience from business but not from failure. His parents were entrepreneurs and he had a lot of encouragement when he started his first business already by the age of fifteen. This was though the first time he experienced a failure with his business and this could be a reason that he took the failure very personal and emotional if referring to McGrath & Cardon (1997). Johan did not have any experience in the particular industry, only from business management. But the big difference why Johan took the failure much more personal than the others was the economic dependency and his motivation. His
whole private economy was dependent on his company, especially since he had to sell his café to make this business survive. He had also put himself as a guarantee in the contract which made him personally liable for a sum of 500 000 Swedish kronor.

The “Miners scale” (McKelvie & Larsson, 2004) describes five motive patterns; self-achievement, risk taking, feedback of results, personal innovation and planning for the future. Johan’s motivation was that he hated to be employed. This can be due to earlier work experiences where he was not satisfied working for anyone else. The fact that he wants to work for himself can be seen as both self-achievement and personal innovation. The latter one refers to that he started companies in different markets, each which he had personal interest in. Another motive for him to start his business might have been one reason for him to take the failure so personal. Johan had been bullied when he was younger and during the interview he made several comments that made us draw the conclusion that part of his motive was to show others that he was good enough and could be successful. Although, the main motive for starting this business was to create money so he could finance his other businesses. This would be the final motive pattern, planning for the future and also the connection to his economic dependency.

Both Rahi and Lisa took their failure personal. For Lisa it was psychologically hard and she felt that she should have realized what was coming and she has been angry at both herself and people around her afterwards. Rahi said that he did not take it personally, but his story tells otherwise. He feels like the permit authorities were personally against him, he also feels that people are looking at him differently and he showed strong emotions saying that his life practically has been destroyed.

Considering past experience Lisa, Rahi and Gunnar had not experienced failing but they had much previous experience in their field of work. This is one of the reasons why they end up more to the right than Johan in the figure above. However, the major reason is that they were not as financially dependent as Johan. Rahi was also quite dependent, but he was not as affected as Johan since he did not go into personal bankruptcy. Lisa was also dependent but she was not alone in the company and had no trouble finding work afterwards.

When looking at Lisa’s and Rahi’s motivation, one of their motives was to receive income but for both their major reason was a long lived dream. They had both worked in their business for a long time and developed a dream of having their own restaurant. Rahi for example, mentioned that his restaurant was his life as he was working night and day at the company. He was fulfilling his dream by running the business that he was also very emotionally attached to. Due to this connection the failure was difficult to go through and move on from.

There are also some similarities between Gunnar and Åke. Åke had strong interest in achieving his goals and was really fond of challenges. He was very confident as he had much knowledge and experience in his field. Both Gunnar and Åke had financial resources before they started their businesses. Gunnar had a high income before he decided to start the company and Figure 4 show that the higher independence one has financially the less personally one takes the bankruptcy. As from our finding this can be true for both Åke and Gunnar. Gunnar mentioned that it is not fun to loose a lot of money however he was not financially devastated.

Both Åke and Gunnar do not see themselves as failures. Gunnar rather considers the action he made to sell parts of his company as mistake. He also showed a lot of confidence,
which he had got from his background, previous work life and private life. Åke showed no signs of emotion such as having personally failed. He has several other companies and this was merely one of his eggs in the basket. From the beginning he had a clear view that if it did not go well he would “pull the plug”. Åke has had several companies and four previous bankruptcies and was the only one who had experienced a bankruptcy before. This situation is very similar to the one explained by McGrath & Cardon (1997) that entrepreneurs with prior failure experience are less attached to their companies. Åke said the first bankruptcy was the most difficult one but that was merely in the way of paperwork, not emotions. He has a very objective way of looking at the process of bankruptcy. As mentioned in the interview Åke merely sees the bankruptcy as paperwork that needs to be filled out, taking half a day of work and that is it.

Gunnar’s motivation to start his own business was that he was tired of travelling as much as he did with his former job and that he strongly believed in his idea. We believe that his motivation was a great mix of all the motive patterns in the “Miners Scale” (McKelvie & Larsson, 2004). He wanted to do something that he believed in and to achieve something that would give him some feedback from many years in the industry. Moreover, the intrinsic motivation can be used as he mentioned that he really enjoyed working with his own ideas. His family was also a strong motivational factor. For Åke the only motivational factor was that he needed to have an income while he was working on other projects. And it was first when he stopped being financially dependent on the company that he took it into bankruptcy. Therefore it is no wonder that he was neither emotionally attached to the company nor took it at all personally.

6.3 Culture affecting entrepreneurial failure

Culture is a factor affecting the way entrepreneurs respond to failure. The attitudes to risks and social consent towards success and failure affect the willingness of individuals to start a business (Hofstede et.al, 2002). In a society there is a certain perception of and tolerance for failure (Cardon & Potter, 2003) which is highly related to the national culture (Hofstede et.al, 2002). Among the interviewees several signs of the cultural affect are shown. Johan had strong support from his family after the bankruptcy, but he has lost many friends. Before the bankruptcy he was very popular but afterwards he feels that he is worth nothing. He makes a distinction that friends and buddies are two different kinds of people. The exact same point is made by Åke who also differentiates between real friends and buddies. What differs between them is that Åke feels that he still has support from his business partners, which Johan does not. This can be because the social attitudes vary across countries (Armour & Cumming, 2005). The reason for this can be that Åke has business partners around the world and not concentrated in Sweden that Johan has. Johan experienced a high degree of loss of self-esteem after the bankruptcy became public.

According to Armours & Cumming (2005) it is a fact that Sweden has the highest rate when it comes to not ordering from a failed merchant. Åke mentioned that he believed that the business climate in Sweden is poor and that he rather makes business abroad, as it is more convenient. He mentions that Swedish culture does not allow people to brag about money and he finds Swedes to be reserved and quiet. He says that there are only safe players in Sweden.

Common for all subjects are the fact that they feel a lack of support from the community. It is difficult to get financing when starting up a company, both with and without a previ-
ous bankruptcy, and this becomes almost impossible after such a failure. The state is not understanding and supportive towards those who have tried but failed. Åke feels that they do not trust him and therefore will not give him any loan or funding. The theory of Cardon & Potter (2003) does thus confirm that the cultural perception towards failure can affect the allocation of resources to entrepreneurs. Rahi explained that he experienced the Swedish government as having a very intolerant attitude towards small family businesses and this has affected his life after and response to the failure. Now he cannot even start a new restaurant since he is not allowed to take bank loans. He also mentions that the government and its authorities actually hinder small businesses, as they are not helpful.

Both Lisa and Gunnar have had positive support and response from family and friends before, during and after running the business. Lisa seems to have lost no faith in her social surroundings and showed no sign of social stigmatization. This can be explained by looking at Sweden as an individualistic culture where the attitudes from the social surroundings are more accepting (McGrath and Cardon 1997). Because of this, she did not experience the failure to affect peoples view on her; however it affected her view on herself and her own abilities. Gunnar believed that his business contacts were on his side, but he did not feel comfortable making contracts with them again. This might be a sign of a personal stigma that has grown out of a social stigma that failure is not accepted (Cardon & Potter, 2003) and thus Gunnar might feel that he will not be accepted as a business partner again after the bankruptcy. Armour and Cumming (2005) also suggest that individuals find it difficult to been seen as trustworthy in the eyes of the public.

Rahi feels that the attitude from the people around him and even from his children has changed and this has clearly made his loss even greater. He also seems ashamed that he is not working and that he has failed with his business. According to Hofstede et.al, (2002), the culture can affect peoples’ response to a failure, and here two cultures play their part, both Pakistani and the Swedish culture. His own values come most likely from Pakistan and can be the reason why he is ashamed of his bankruptcy. His home country is a more collective culture than Sweden and therefore social stigmatization could be more present after a failure. According to Armour & Cumming (2005) social stigmatization is usually brought along with bankruptcy and this can clearly be noticed from Rahi, saying that people around him look at him differently. But what he is saying on how other people react differ during the interview. Sometimes he is saying that it is only from the permit authorities that he has lost trust, and another time he is saying that the people around him see him differently, even his family. From this we conclude that since he seems ashamed and very insecure of himself after the bankruptcy he is very sensitive to what people think of him. It might be the case that he thinks people are seeing him differently because he sees himself differently. Another interesting aspect is that he did not mention that the authorities had something against him because of his Pakistani background.

6.4 Learning from failure

This section presents the entrepreneurs’ learning and the factors affecting the learning process. The figure below gives an overall picture on how we have interpreted each of the five entrepreneurs in this study on the subject matter. On the top we have put the categories “high level of learning” and “low level of learning”. We suggest that these categories can be related to whether they blame the failure on internal or external factors.
LEARNING

<table>
<thead>
<tr>
<th>High Level of Learning</th>
<th>Low level of Learning</th>
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<tbody>
<tr>
<td>Internal factors</td>
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<tr>
<td>Johan</td>
<td>Åke</td>
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<td>Gunnar</td>
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BLAMING FACTORS

<table>
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<tr>
<th>External factors</th>
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<tr>
<td>Rahi, Lisa</td>
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Table 2, Blaming Factors vs. Learning

We suggest that there is a connection between the learning process and whether the person blames internal or external factors. If one is blaming internal factors, then they can see what they can change in their own behavior and we suggest that it can then be easier to move on. As stated before by Kreuger (2002), entrepreneurs are often in possession of internal locus of control and this means that they believe that they can affect the world around them, and thus can change the outcome of his/her future attempts. But if one is blaming on external forces, they are not in their power to change and this could lead to fear of future attempts. If internal factors are blamed, we believe it is easier to accept the mistakes and to begin the learning process, and if external factors are blamed upon the persons would feel that it is more difficult to affect and change the outcomes. Therefore it would be more difficult to accept and change the way of acting. Earlier in the frame of reference it has been mentioned that it is easier to get over a failure when blaming external factors since they do not get that affected (Martinko, 1995), but we believe that it is impossible to learn from a failure if one does not admit that there are mistakes to learn from.

Johan is considered to mostly blame internal factors that we believe contributed to why he has a high level of learning. Johan says that he has learnt a lot from his bankruptcy especially when it comes to how to make business and how to interpret business laws. The legal issues are really important and he recommended having a good lawyer who can help with contracts. The literature suggests that it is difficult to come back as a failed entrepreneur; since it is hard to get banks and investors to give them a second chance (Bird, 1989). Johan says that he will definitely try to get a good bank to cooperate with. He also mentions that he has learned the hard way and that he need to be tougher to gain respect. Johan has realized that he needs the knowledge about the industry he is working in and that he will think thoroughly next time he considers starting a business. We believed that Johan showed a genuine interest for fulfilling his dreams of starting his own business, as it is very important for him to be his own boss. For this reason we agree that he will consider the mistake he has made and that he will learn from this and use the knowledge for his future business.
As mentioned in the literature entrepreneurs need accurate perceptions and honest self-appraisal in order to learn (Bird 1989). From the interviews made, one could distinguish one of five persons who did not according to us realize the situation accurately. That person was Rahi, because he did not believe that he did anything wrong and blamed it all on the permit authorities and the general business life in Jönköping i.e. external factors. As the literature suggest this way of acting would actually be a hinder for Rahi as he would not be able to learn from his failure, as would also be the case based on the model above.

According to McGrath & Cardon (1997) a failure can be used as a competitive advantage in the future if the failure experience is recognized and learned from. In accordance with this Gunnar mentioned that he had realized how important it is to have business ideas that are close to the customer’s heart, also that you should always follow your intuition during your idea realization process. He says, “You don’t get rich, but you get wise” and we believe that this quote actually summarizes his view on the learning of his failure. He did loose financially but he also gained much knowledge and experience, which will be used as a competitive advantage in the future. Gunnar also believes in his own responsibility in the failure and is blaming internal factors, which also goes in line with Birds (1989) theory that you have to have an honest self-appraisal in order to learn (Bird, 1989).

As far as Lisa is concerned, she believes that she has learned some from her mistakes, for example that she needs to have some more business knowledge if she is going to start something again. But on the other hand she does not seem to think that she could have done something differently and nothing would change if she would start something again. Opportunities have to come to her; she is not able to create them herself. This is a sign of low level of learning that has only made her averse to starting something up again. And when looking at what she is blaming on, the market conditions which are external factors, works well with our theory that entrepreneurs who blame external factors can learn less and also have more difficulties to move on. However, Lisa and her husband are satisfied with their position today, where they are employed. We believe that she is still emotionally affected by the bankruptcy, and therefore scared of starting a new business in the nearby future. She needs more time to get over the failure.

Åke, was the only one that said that he had not learnt from the bankruptcy. He has done it before. Åke is a business man, he has many projects running and he did not take the failure very personally but rather moved on quickly. He loves challenges and believes that the market in Sweden is not developed in accordance to the technical development. He is the failing factor in our theory that learning is affected by their blaming factors. But thanks to him we instead discovered a new dimension to our model; experience. The reason that he did not learn so much from this failure is that he already had experience of bankruptcy and he did not fail on any other level. It was on purpose that he filed for the company’s bankruptcy and therefore did not have any mistakes to learn from. So with his large experience from business in general and bankruptcy, he did not have much to learn.
7 Conclusion

This chapter will give a summary of the main issues from the analysis and conclude the main purpose of the paper in the light of the research questions. The conclusion will follow the order of the analysis.

By conducting this paper we have established new perspectives on the entrepreneur’s responses to a bankruptcy. A number of significant contributions to earlier theories have been made. This paper shows several patterns and connections that we discovered throughout our research.

Several interesting aspects were found in the empirical findings. According to our research, the factors that entrepreneurs blame on depend to a great extent on how entrepreneurial they are. Our study showed that the more entrepreneurial a person is the more they can see their own responsibility and the more they blame internal factors instead of external. This we believe can be due to the fact that entrepreneurs are seen to have a great internal locus of control (Rotter 1966). Since they like to be in control of their own destiny they also want to control their failures.

This paper also suggest that how personally an entrepreneur takes his/her failure depends mostly on how financially dependent they were on their company i.e. the motive they had for starting it, and also how experienced they were before the failure. These are of course not the only explanations for taking it personal but these were most clear in our research. We reached the conclusions that if one was economically dependent on the company, they got more affected afterwards since their private economy got devastated and then the failure also became more personal. We also concluded that the ones with experience of earlier bankruptcy have a lot easier to distance themselves from the company and did then not take it so personal. The culture, including the surrounding environment and the people has been recognized as an important aspect when dealing with a bankruptcy. A surprising finding was that all the participants agreed that the business culture in the Jönköping region was not supportive. They claimed it does not facilitate small business start-ups. We have also understood that the social attitudes from the people around the entrepreneurs become different after a failure and they notice who their real friends are.

For the future, it is important to understand the underlying factors that the entrepreneur blames upon for his/her failure. These factors affect the way a person react and are essential to know in order to understand the learning process. Our finding suggest that entrepreneurs that blame external factors have lower level of learning since they do not take responsibility of their own mistakes and can consequently learn less from them. In contrast entrepreneurs blaming internal factors have higher level of learning and are also keener on starting businesses in the future since they feel more in control over their opportunities and chances for success since they are aware of their weaknesses. However, factors that also have an impact are experience, and if it was their own choice to go bankrupt. If it was a choice there is a lack of mistakes to learn from and thus less can be learnt.

The main issue of this paper was to study the responses to bankruptcy in order to establish certain behaviour pattern, which could be used for future entrepreneurs. To finally conclude our paper we believe the best way to succeed is to learn from your mistakes.

“Bad times have a scientific value. These are occasions a good learner would not miss.”

Ralph Waldo Emerson (Davenport, 1998, p. 52)
8 Discussion

Some practical implications can be reached. For instance, one aspect that was common for all participants was the lack of support from the government and here a lot of changes can be made. The most difficult for the interviewees while running their companies were the taxes for the first two years, since a new company often have trouble to make much profit for the first two years or so. Therefore it is not only difficult to make the company survive but also to make a living, since most profit has to go back into the company. Suggestions would be that the government could give some tax relief the first two years to give start up companies a better chance to survive.

Another aspect is that they could give some financial support in the start up face; as it is today, only unemployed people get financial support when starting a company. This could give more people incentives to start a business even those that are afraid to leave their financial security.

A third implication is that more courses can be offered in how to start your own business. None of the interviewees felt that they had enough knowledge in business even though they had a great amount of experience in their field of work.

8.1 Limitations

A number of limitations concerning the data collection have been noted. First, the entrepreneurs interviewed were from the same region, which implies that there could be some similarities in answers for example the blaming factors as all of the participants blamed on authorities making it more difficult for them to start up their own business. Second, in the analysis section we created our own models in accordance with our research questions. One would like to highlight the fact that we only used five cases to create this model and it could be difficult to fit other entrepreneurs into the models. However, as we could find some interesting patterns one would suggest future researcher to confirm these findings.

Finally, a drawback of the paper could also be that the paper is an exploratory study and we have created our own theory by choosing appropriate earlier theories and combined it with our empirical findings. In this way, we have personally chosen the earlier theories we believed were suitable for this study. However, if other researchers would have done the same study, the selection of earlier theories might not be the same as for this paper.

8.2 Future studies

This paper has researched the entrepreneurial responses to bankruptcy. As mentioned earlier several limitations were present and there are many other perspectives to this topic. There are several suggestions for future studies. The first one is to do an even more in depth research with each entrepreneur to compare what is blamed on and what really happened. It might show interesting results to follow up on newly started companies and do interviews along the way to see if the attributions that are blamed for different situations change over time.

The other suggestion is to use a bigger sample so one can clearly see how different factors affect the response of the entrepreneur.
A suggestion can be to change the perspective from the individual entrepreneur and instead study the relatives’ responses. What do they think about the entrepreneur whose business has failed? The study was made in Jönköping and all participants claim that they as a small business entrepreneur did not feel encouraged by the government to start up their business. They all feel that the Swedish authorities are hindering their willingness to be entrepreneurial. A research question can be to see how entrepreneurial Jönköping or the spirit of Gnosjö is? Is there a difference in the social stigma in different cities or regions and if so, why? As the interviews were made in the same region, one could suggest researcher to test this papers hypothesis/conclusion in other parts of Sweden to see if the results differ. To be able to see a distinction between cultures a research could be done on entrepreneurs in different countries.

Another aspect can be to focus on the gender perspective, is there any difference in how men and women respond emotionally and are they perceived differently after a bankruptcy?
References


Wiklund, J., Hayne, Shepherd. Moving forward: Balancing the financial and emotional cost of a failed venture. - Not yet published

9 Appendix: Interview questions

- Do you consider yourself to be an entrepreneur?
  - What traits do you consider yourself having that can be called entrepreneurial?

- Can you tell us about you business idea?
  - Did you have experience in this field before?
  - How long did it take to make the idea into reality?
  - What was the goal with the start up?
  - How long did you have your company?

- What was the reason for starting your own company?
  - Is it the first time you started a company?
  - Did you consider any specific risks?
  - Was there anything you were afraid of before starting your company?
  - Can you tell us about you education and your other experiences?

- Did you feel that you were supported by the people in your surroundings?
  - Did you listen much to others’ opinions when starting your company?

- How did you like having your own company?
  - Can you say some pros and cons with having your own company?
  - What difficulties did you experience?
  - Did you feel that you had the problems under control?

- Can you give us some reasons why the company went bankrupt?
  - Did you blame the same reasons before, when the company actually went into bankruptcy?
  - To what extent did these factors play a role?

- Was it the only option, to go into bankruptcy?
  - Have you ever had this experience before with earlier companies?
  - How long did it take before finalizing the bankruptcy?

- How has this affected you personally? (financially, reputation etc)
  - Did it feel like a personal failure?
  - How do you see yourself afterwards?
  - How do you think others see you?
  - What are the responses from family and friends?
  - What response have you gotten from business partners and other companies?
  - Do you still have good contact with them?

- How did going into bankruptcy make you feel?
  - What was the first thing you did when you realized the bankruptcy was a reality?
  - Can you explain why you got that feeling?
  - Have your feelings changed afterwards?
  - How do you feel about it today?

- What have you learned from this experience?
  - How long time did it take for you to start with something new?
  - What are you doing today?
  - What are your future plans?
  - Do you want to start up another company?