

Learning the entrepreneurial craft from Narratives of Emotional Setbacks and Failures of Serial Entrepreneurs

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Abstract

Prior research efforts had overemphasized importance of cognitive aspects of entrepreneurial learning with emotional aspects remaining relatively under researched. Traditionally, focus has been on learning from success stories as against approaches to investigate role of emotional incidents such as failure in stimulating entrepreneurial success which this research aims to investigate. The research uses a qualitative research design with narrative as a strategy of inquiry. A total of 84 entrepreneurs were interviewed in pilot phase of study. Out of these, 18 serial entrepreneurs were re-interviewed based on suitability of narratives. The findings have been distilled through a fine-grained analysis of condensed micro-narratives as experienced by participants. The study suggests that external factors beyond locus of control contribute more to business failure and success. The study helps to deepen our understanding of entrepreneurship dynamics by highlighting factors which contribute to learning from failure such as locus of control, prior experience, societal norms, and lack of reliable co-founders and erosion of moral standards.

Keywords: emotional setbacks, micro narratives, learning, failure incidents, serial entrepreneurs.

Introduction

Failure is undoubtedly a painful process and one which damages the self-efficacy of entrepreneurs (Cope, 2011) but albeit this triggers important learning experiences for entrepreneurs. In some cultures, the results of entrepreneurial failure are tolerated such as Silicon Valley entrepreneurs, unlike UK where failure is seen as a social stigma (Singh, Corner &

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Pavlovich, 2015). Likewise, in Pakistan, failure is stigmatized which has a detrimental effect on new venture creation due to prevalent societal narrative of take-a-job-mentality. Prior researchers had paid importance to cognitive aspects of entrepreneurship leaving affective aspects understudied (Shepherd *et al.*, 2016). Traditionally, the focus has been on learning from success as the role of failure signaling a research gap (Shepherd *et al.*, 2016). Considering the prevalence of emotions, it becomes intriguing to understand how it can help a youth bulge in Pakistan. This study investigates the role of emotional setbacks as a learning experience for entrepreneurial success by examining the *role emotional failure in learning from serial entrepreneurs?*”

Literature Review

The literature on entrepreneurial outcomes is replete with studies focusing on cognitive models (Marvel, Davis & Sproul, 2016). While, research papers on relationship of affective states and entrepreneurial success has gained popularity recently (Fodor & Pintea, 2017). In entrepreneurship, the central object of emotions arousal is venture, which is considered part of the entrepreneurs extended self-concept (Cardon *et al.*, 2005). There has been an overemphasis on emotional intelligence and emotional labor (Lam, Huo & Chen, 2018). Yet, the role of emotional setbacks and critical incidents in form of failure had largely remained neglected (Foo, 2011). Lackeus *et al.*, (2015) used an app-based approach to capture incidents of learning from emotional failures to indicate a positive relationship between emotional setbacks and business success. Baumard and Starbuck, (2006) studied learning outcomes associated with failures in a qualitative paper and assert that failures can be further broken down into small and large failures with former triggering incremental learning and the latter invokes little or no learning. Bryne and Shepherd, (2015) carried out a narrative based analysis of failure related experiences to assert that learning differs within folks (*people*) and across strokes (*failures*). Their study concludes that entrepreneurs experience sense-making from failure which lays foundation of future success through a creative process of sense-giving.

Cardon and McGrath, (1999) assert that post failure response may induce actions on a continuum from haplessness to mastery with failure seen as a learning experience. Cave *et al*, (2001) proclaims that failure is more tolerable in US culture as against UK and its past colonies. Politis &

Gabrielsson, (2009) in their study examine how entrepreneurial failure contributes to knowledge base of entrepreneurs to suggest that serial entrepreneurs benefit more from failure due to their positive attitude, unlike novice entrepreneurs. Likewise, Politis and Gabrielsson, (2009) used social learning theory to assert that prior experience of business closure is instrumental in learning from failure for entrepreneurs particularly for serial entrepreneurs. Shepherd, (2003) contends that in context of failure there is also emotional costs in addition to economic costs. However, the losses incurred may also entail psychological and physiological aspects in addition to economic and social costs of failure (Sing *et al.*, 2007).

Methodology

This mono-method qualitative study takes to consideration our positionality in terms of ontology, epistemology and methodology to accumulate knowledge about real world phenomena (Creswell & Poth, 2017). A constructivist world view whereby reality is constructed deconstructed and reconstructed through interactions with human mind in tandem with a subjective ontology and narrative as strategy of inquiry. According to Elci *et al.*, (2014) a narrative is defined as “*a vital human activity which structures experience and gives it meaning*”. It can be said that narrative is both a method and a phenomenon wherein people narrate their stories and through narratives such experiences are noted (Elci *et al.*, 2014). The choice of narratives as a strategy of inquiry is based on the fact that in KPK there is a vocal culture. Thus, narratives offer a more context specific environment to observe in natural settings the feelings, behavior and actions. The issue of confirmation of sample size in qualitative research at the inception of a research is virtually impossible due to emergent nature of research (Iqbal *et al.*, 2018). However, theoretical saturation occurred after 18 interviews after which new themes ceased to emerge signaling adequacy of sample size for this qualitative study.

Data Analysis

The authors based on virtues of narratives as a strategy of inquiry contend that it is best suited to eliciting stories from serial entrepreneurs in current study. Elci *et al.*, (2014) who asserts that every person has a story and some of these stories are more learnable than others. However, over here our focus has been on the setbacks and big failures encountered by serial entrepreneurs in KPK. As a standard practice, the real names of

participants have been assigned a pseudonym. According to Nasheeda *et al.*, (2019) structuring and organization of human experiences by crafting stories transcripts by use of re-storying is a complex process. This study constructs micro narratives of stories elicited from 18 key participants who were reduced through a creative process of data collection.

The authors have reduced the grand narratives to more manageable form of hyper condensed micro narratives which came from respondents of study with extracts from Peter micro story as, *“A torturous experience of not securing entry level position in my alma mater after PhD from world’s best university. May be these two were main triggers of my entrepreneurial success”*.

Warda narrated in this manner, *“My father managed to buy a computer from his hard-earned Provident Fund. This was an emotional blow to witness for me”*.

Tommy narrated, *“The foremost is pressure from family as we are right now pouring our own Pension Money into this business. People look down upon this business and call us Koora Seth”*.

Shero describes his short micro story, *“The earthquake in 2005 destroyed my institution infrastructure and later through a government incentive free education was offered for quake affectees and all students migrated leaving me bankrupt”*.

Johnson narrated, *“In 2009, there were almost 40,000 chicks in farm and it was the winter season. My farm captured fire and everything burnt and the business went to very initial”*.

Patrick narrated in this manner, *“Due to death of my father I returned to establish a new factory in Gadoon Amazai which was an incentivized industrial zone. The incentives were withdrawn and I incurred losses and I had to close it down in 1995”*.

Mike narrates his debacle as, *“Another competitor filed a case against us when he was unable to get the tender awarded to us. The court issued a stay order on it resulting in huge financial loss”*.

Martin narrated, *“Through ethical promotion we tried not to give away any gifts to doctors. After 6 years of losses we changed our stance on ethical promotion. If your medicine fails then you can be sued like a criminal in whom Government laboratories play a crucial role”*.

A recurrent theme which emanates from micro narratives reveals the importance of external factors in line with industrial organization view where external factors are more important for success (Al-Ali & Teece,

2014). As indicated in cases of Patrick, Shero and Johnson their business failure was triggered by factors beyond their locus of control. This complements the empirical evidence extracted from Mike where external factors such legal mechanisms served as a main contributor to his downfall. In addition to external factors, they were also labeled with a social stigma of failure for which they had to either seek employment abroad to take advantage of favorable currency exchange rates to overcome the setbacks. The stories of Peter and Warda signify the importance of sacrifices and love emotions for country and parents. Finally, the micro narrative analysis of Martin reveals weak ethical orientation of people associated with noble professions of medicine. Based on preceding analysis Tariq et al., (2019) claims is reinforced which calls for learning of survival skills and fraud deterrence in Pakistan. Having discussed, external factors, now we strive to explore other learning avenues from failure experiences of participants.

Zlatan narrated, *“I was so embarrassed after getting dropped out in final year of university. My friend and I thought of getting milk online just like many other things we considered before. My partner gave the idea but soon parted ways. I thought many times of committing suicide as 90% people gave me negative feedback but I went ahead with my idea”*.

Khan narrated, *“In the beginning, I saw myself as a lonely soul and when my parents asked me what you are doing all the time over the internet. I had difficulty in making them understand what I was doing due to generational gap”*.

Zampa narrates his failure as, *“I received setbacks such as differences with my brothers after getting married at a young age. I wasn't that much serious about working as I was spoiled bred as the youngest kid in the family”*.

Maxi narrated as, *“I started a restaurant which we closed down as the location was poor but it was a learning experience. Even in that scenario my father as a businessman was supportive”*.

Heward narrates his story as, *“I was 15 years old when my father died. My entire family expenditure depends on this business and if there is any disordering in machinery then all of our income stops”*.

Razmin narrated, *“We started off Marks filter for cars which was a big failure due to absence of prior experience as we underestimated our feasibility study. We also experienced bankruptcy and paid back 32 lack*

PKR to bank. We learnt that greater the number of component parts, the difficult it is to achieve economies of scale”.

The theme generated from analysis of empirical evidence from Zlatan indicates that those super active in college extra-curricular activities may fail in curricular activities of school. This as result may induce suicidal tendencies where failure blame is inflicted upon the individual as an escape amidst activities outside their locus of control (Tang, Wu & Miao, 2013). The case of Khan, Maxi and Zampa signifies the importance of generational gap between children in pre-prime (below 18 years) to third age (50 +years) in startups (Teemu, 2008). We can say maturity is a relative phenomenon in terms of age as we see Europeans mature quickly due to independence they enjoy in contrast to Asian youth. Moreover, age norms and maturity invariably impacts entrepreneurial intentions before, during and after their failure as witnessed in transgenerational entrepreneurship (Lindquist, Sol & Praag, 2015). Finally, micro-narrative of Razmin indicates the importance of prior experience with goes in agreement Nasheeda et al., (2019). In the same vein the data analysis for rest of interviewee’s failures unfolded as:

Keith narrated, *“The business was established and registered in Malaysia to avoid the mistrust that is being associated with Pakistanis. After 6 months of establishing the venture, I lost my job which in a way allowed me to focus more on my business”.*

Thomas narrated, *“I started Hazir Service as a courier service to people. I abandoned that project as I was going for higher studies and hence incurred losses and had difficulty in finding quality workers”.*

David narrates his failure story as, *“One of our disappointments pertains to the fact that there is absence of skilled and loyal human capital, contrary to unemployment statistics. Our growth is constrained due to lack of good HR amidst giving rewards and salaries”.*

Darren narrated his failure story as, *“We have not produced the amount of business and growth we are capable of achieving. The main problem in this failure pertains to lack of dynamic executives in the company after the exit of their pioneering marketing manager”.*

Brian narrated, *“There were multiple setbacks as system graduate disappointed me for once. Then another one wasted 18 months and we were not making money in all this time. A third co-founder did deliver to some extent but parted and I was left with losses that I am yet to recover”.*

The theme from Keith's narrative reiterates the importance of country of origin effects in success of small Born Global due to negative imagery of countries (Temu, 2008). The emotional accounts of Thomas and David refer to a paradoxical situation where job seekers lament lack of jobs and recruiters grieve over unavailability of talent (Tariq *et al*, 2019). In the same vein, failure may even manifest itself in low growth. Moreover, the story of Darren pinpoints that not only there is lack of skilled workers but also co-founders who have the capacities to persevere adverse failure and associated circumstances in the entrepreneurial ventures.

Discussion

The study unveils that emotional failures serve as a stepping stone for success through entrepreneurial learning induced from such experiences. According to Al-Ali & Teece, (2014) internal factors are more important in contrast to Cope, (2003) who emphasize importance of external factors for success and growth during emotional process of business failure. The latter case is more pronounced in the context of emotional setbacks as learning avenues for success is preceded most of the time by setbacks in life of serial entrepreneurs. The analysis suggests learning occurs mostly after going through setback which is most of the time emotional. This deviates slightly on Jason cope idea which emphasizes crisis as trigger of success (Pittaway & Thorpe, 2012). Majority of the setbacks which caused business failure were beyond the locus of this control which attributed to fatalism (Cope, 2012). Finally, one of the main causes of emotional incidents in regards to business failure pertains to lack of skilled workforce which goes contrary to unemployment statistics. This is a classical paradox, where job seekers lament lack of jobs and recruiters grieve over the lack of talent. This study even takes the argument further in addition to lack of reliable workers there is also a serious dearth of reliable co-founders. This is partly attributed to that fact that people are mostly living on economic margins and survival skills and overcautious approach to fraud deterrence. Finally, lack of prior experience and erosion of ethical standards had also been noted to contribute as drivers of failures.

Conclusions

The study has led us to conclude that in Pakistan maturity is a relative term in domains of business. A person may remain naïve from reality for an extended time due to family support and shock absorbers in

the form of combined family system until confronted with emotional failure. The study concluded that external factors contribute more to business failure and success in KPK. Thus, understanding business environment from a legal perspective is important, while doing business in Pakistan. Internal factors that induce significant learning pertain to lack of prior experience and finding suitable co-founders and workforce. Unlike public discourse, actually there aren't enough and reliable workers available. Part of the problem is due to erosion of ethical standards and opportunism in the form of job-hopping practices. The study helps to deepen our understanding of factors which contribute to business failure as an emotional learning experience for business success.

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