"The Paradoxical Nature of New Venture Failure"

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Abstract

> *"With each tottering attempt to walk, our bodies learn from the falls what not to do next time. In time we walk without thinking and think without falling, but it is not so much that we have learned to walk as we learned not to fall" (Petroski 1985: 13)*

This research represents a contribution to the academic literature on entrepreneurship by exploring what entrepreneurs and intrapreneurs learned from their failed ventures. The purpose of this study is to demonstrate what can be learned from new venture and business failure. In addition, it reveals that although entrepreneurs and intrapreneurs perceived new venture and business failure differently, they shared similar experiences in their failed ventures, and generated similar knowledge.

New venture failure is a well-researched field, in which the emphasis in the academic literature is on the importance of learning and recovering from such reverses. However, studies related what it is that one can learn from new venture failure are scant. This research explores the relationship between two fields: new venture failure and entrepreneurial learning. In this study, new venture and business failure is defined as "*the entrepreneur's dissatisfaction with the venture's progression"*, and it is emphasised that the entrepreneurs and intrapreneurs decide whether or not their venture has failed, regardless of the objective state of the venture.

Learning is defined as a combination of behavioural and cognitive patterns: "*a creation of knowledge that leads to a behavioural change*". It is suggested that entrepreneurs and intrapreneurs learn from every action they perform, gaining experience from both successful and failed activities. However, they learn more from critical events.

This exploratory, qualitative study explores how 27 experienced Australian entrepreneurs and intrapreneurs perceive new venture failure, and what they have learned from it. The research used practice-based theories to convert the participants' experiences into academic theories. The data was analysed using cognitive maps for categorising and sorting the data, and classic content and word count techniques for the analyses.

The results of this research indicate that entrepreneurs perceived new venture and business failure as identical, while intrapreneurs distinguished between them. The majority of the entrepreneurs who participated in this research defined a failed new venture or business as *a business or new venture that does not make a profit and suffers from lack of cash*. However, the majority of the intrapreneurs who participated in this research defined a failed business as *a business that is not managed properly*, and a failed new venture as *a venture that does not grow*.

A significant addition to the body of knowledge in this domain is depicted. Since this study is a first of its kind to integrate entrepreneurial learning and new venture failure, the following finding is highlighted: Venture failure is not perceived in a negative context by entrepreneurs, as long as they learn from the experience/s. As such, it is identified that ventures fail, not entrepreneurs! This finding would, however, provide a base for further empirical research into the psychological aspects of entrepreneurs' perceptions to new venture failure.

From a research methodology perspective, using cognitive maps and entrepreneurial scripts in the above context constitutes an addition to the body of knowledge. Such methodology has been identified as an innovative research concept in examining the cognitive structures of entrepreneurs.

The study concludes with a list of suggestions for novice and nascent entrepreneurs and intrapreneurs given by the participants in this research. These suggestions are the summary of their learning from their failed ventures. It is suggested that nascent entrepreneurs and intrapreneurs may adopt recommendations from the suggested list, thereby marginalising their risk of failure by learning from others.

As this is qualitative exploratory research, it had a small data set. Any future research should ideally be expanded into a quantitative study and include entrepreneurs and intrapreneurs from different countries, thus enabling the findings to be generalised and the effect of cultural differences to be overcome.

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I sincerely thank you all

Declaration

This thesis:

- Contains no material which has been accepted for the award to the candidate of any other degree or diploma, except where due reference is made in the text of the examinable outcome;
- To the best of the candidate's knowledge contains no material previously published or written by another person except where due reference is made in the text of the examinable outcome;
- Where the work is based on joint research or publications, discloses the relative contributions of the respective workers or authors; and
- Has met all the requirements of the Ethics Approval from the Swinburne University of Technology under SUHREC Project 2009/202

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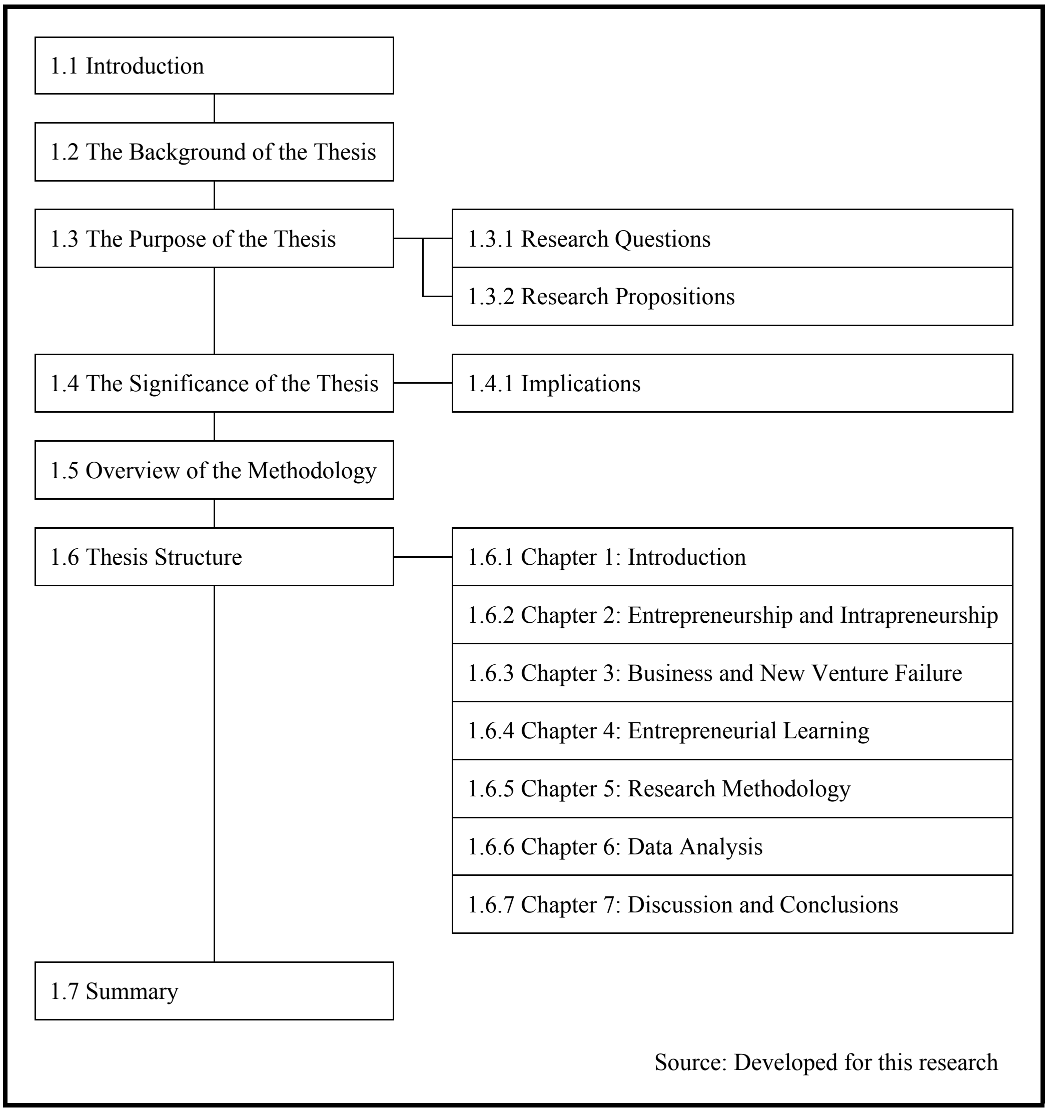
Chapter 1 Introduction

1.1 Introduction

The research presented in this thesis aims to explain how entrepreneurs and intrapreneurs perceive new venture and business failure, and what they learned from their failed ventures.

This chapter sets the context for the study, as presented in Figure 1.1.

Figure 1-1: Introduction - Chapter Structure



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Section 1.2 summarises the general background of the study. It explains the connection between the two research fields that the study explores; business failure and entrepreneurial learning.

Section 1.3 elaborates on the purpose of the thesis. It presents the research questions and the preliminary conceptual model that was created for this study.

Section 1.4 states the significance of the study, and the additions it makes to the body of knowledge. The results of the study are added to the conceptual model.

Section 1.5 is an overview of the study's methodology.

Section 1.6 describes the structure of the thesis. It identifies key aspects, literature and significant authors for each chapter.

1.2 The Background of the Thesis

This study explores the relationship between two fields: new venture failure and entrepreneurial learning.

The attitude towards failure is culturally based (Cave, Eccles & Rundle 2001). For example, in the United States the attitude towards failure is mainly positive, whilst in other countries, such as the United Kingdom and Japan, it is negative (Landier 2005). This is the nature of the "failure paradox", which is examined in this research. In addition, another paradox with regard to business failure is the confusion of venture failure with failed entrepreneurs (Sarasvathy & Menon 2003; Stokes & Blackburn 2002).

However, to understand the nature of the paradox, one should start by defining business failure. Watson and Everett (1993) summarised the definition of business failure under four main headings: business closure for any reason, business disposed of to prevent further losses, bankruptcy and falling short of goals. This research approach to venture failure is based on the decision made by entrepreneurs and intrapreneurs alone, regardless of the objective state of the venture. Therefore, the definition of new venture failure is a nuance of "falling short of goals". Hence, it is described as the dissatisfaction of the entrepreneur with the venture's progression.

This research differentiates between a new venture and an organisation. An organisation is a legal entity, while a new venture can be the whole organisation (as in a start-up) and, therefore, a legal entity, or an entity embedded in a mature organisation. The new venture is usually a method of commercialising new products or services. Entrepreneurs who operate in new ventures that are embedded in mature organisations are titled corporate entrepreneurs or intrapreneurs.

In this study, the entrepreneur is defined as "an individual who applies innovative solutions to opportunities in new or existing organisations", thus emphasising that entrepreneurs are found in established business as well as in new ventures. This definition is based on McKenzie and Sud (2008: 127), who stressed that entrepreneurs are individuals who can "see what is not there". Furthermore, as this study defines intrapreneurs as entrepreneurs who operate in different environments, they are included in the category of the entrepreneur.

The second field explored in this study is entrepreneurial learning, including learning by entrepreneurs and organisations. It is accepted in this research that learning is a combination of cognitive and behavioural patterns. Corbett (2005) argues that learning is a creation of knowledge that leads to a behavioural change.

In the academic literature entrepreneurial learning is investigated in two ways, learning to behave as an entrepreneur (Rae 2005) and / or entrepreneurs' learning during their entrepreneurial careers (Rae & Carswell 2001). This study emphasises the importance of learning from the experience of entrepreneurs and intrapreneurs', thus acknowledging Minniti and Bygrave's (2001) statement that the entrepreneurial process is a learning process.

It is suggested that entrepreneurs prefer to learn through experience rather than from theories (Rae 2004b). This method is described as action learning. Action learning concepts were originally developed as a method of combining theory and practice in the entrepreneurial learning style (Harrison & Leitch 2005). Entrepreneurs learn from every action they perform, gaining experience from both successful and failed activities, though they will learn more from critical events (Deakins & Freel 1998).

Furthermore, Sitkin (1992) suggests that learning by entrepreneurs and organisations from successful procedures may result in a repetition of those activities which may be performed more satisfactory. However, they do not improve learning as they do not produce cognitive thinking on the activities and, as a result, influence only short-term performance. Therefore, the outcome of failure should be a cognitive reflection on organisational / entrepreneurial behaviour and performance, through which the failure becomes a learning stage for better performance in the future (Sitkin 1992).

Moreover, repeating successful routines may have a perverse outcome, as entrepreneurs become over-confident in their actions and repeat the same routine even if the situation has changed. In such a case, they increase their chances of failure in their next venture as repeating successful routines prevents them from adapting to change (Baumard & Starbuck 2005). Therefore, the failure should be seen as a "learning journey" (Cardon & McGrath 1999; Cope, Cave & Eccles 2004).

In addition to learning from their own experience, entrepreneurs learn by observing the actions of others, retaining the information, assimilating it in their memories and relating it to their own situations. This type of knowledge can act as a template for evaluating their own actions (Holcomb et al. 2009). Therefore, entrepreneurs' learning is defined as *the creation of knowledge that leads to behavioural change*.

Most of the academic literature stresses the importance of learning from new venture failure. However, the research on what can be learned from such an eventuality is scant. Therefore, this study adds to the growing body of research combining entrepreneurial learning and new venture failures, emphasising how both entrepreneurs and intrapreneurs perceive new venture and business failure, and what it is that they have learned from their failed ventures and businesses.

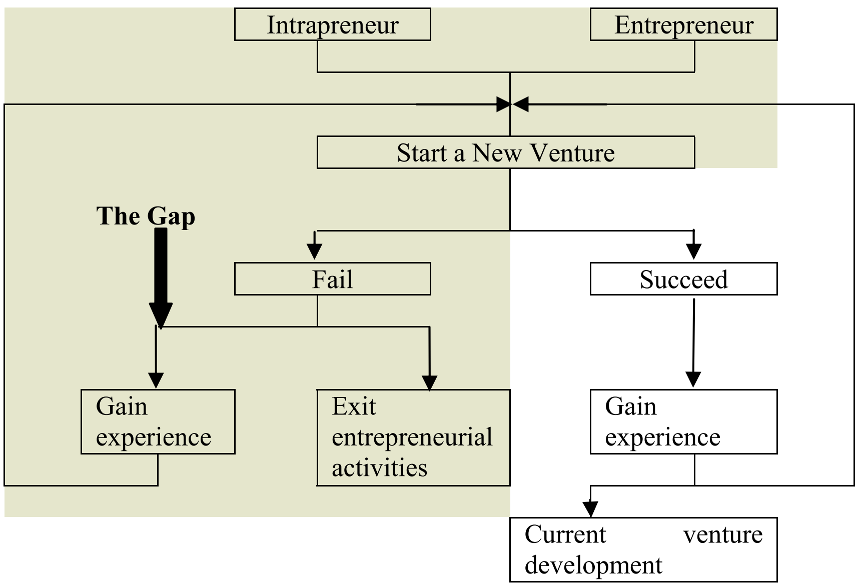
1.3 The Purpose of the Thesis

The purpose of this research is to explore how entrepreneurs and intrapreneurs perceived new venture and business failure and what they learned from their failed ventures. It is important to emphasise that the research did not inquire why the venture has failed, rather what the entrepreneurs and intrapreneurs have learned from it.

The study demonstrates that, although entrepreneurs and intrapreneurs perceive new venture and business failure in different ways, they gained similar experiences from their failed ventures. This study used practice-based theory (Rae 2004b) to create academic theory from the experiences of entrepreneurs and intrapreneurs.

The research aims to fill the gap that exists in the academic literature by combining two research fields: entrepreneurial learning and new venture failure. Figure 1.2 represents the preliminary conceptual model that describes the combination of new venture failure and entrepreneurial learning. The gap that this research aims to fill is marked with a bold arrow and the ambit of this research is shaded.

Figure 1-2: Preliminary Conceptual Model



Source: Developed for this research

1.3.1 Research Questions

Entrepreneurs and intrapreneurs were asked, for the purposes of this thesis, to reflect on the actions they took when their ventures failed and explore what they have learned from the event. The questions are retrospective, as it takes time for the entrepreneurs and intrapreneurs to reflect on their actions without the grief emotions that may be connected to the failure (Shepherd 2003).

Therefore, the research questions were:

1. How do entrepreneurs and intrapreneurs perceive venture failure?
2. What is it that entrepreneurs and intrapreneurs learn from new venture failure?
3. What is the difference, if any, between what entrepreneurs and intrapreneurs learn from venture failure?

1.3.2 Research Propositions

As this is qualitative exploratory research, it used propositions instead of hypotheses (Yin 2009). The propositions for this research and their acceptance or rejection are:

Proposition 1: Entrepreneurs perceive business success and failure as equivalent to new venture success and failure. – Accepted, they defined business and new venture success and failure in similar terms.

Proposition 2: Intrapreneurs perceive business success and failure as equivalent to new venture success and failure. – Rejected, intrapreneurs differed between business and new venture when defining success and failure.

Proposition 3: New Venture failure can be identified as part of the entrepreneurs' learning curve. – Accepted, the majority of the participants in this study acknowledged that they have learned from their failed venture.

Proposition 4: Experienced entrepreneurs can suggest ways in which they could have overcome the failures. – Accepted, the entire dataset contained suggestions regarding how they could have overcome their failures.

Proposition 5: Entrepreneurs and intrapreneurs will learn similar things from new venture failure. – Accepted, there was no significant difference between the levels of learning experienced by entrepreneurs and intrapreneurs.

1.4 The Significance of the Thesis

The majority of the academic literature in which new venture and business failure was studied targeted three main perspectives:

1. **What** is business failure and what are the failure rates (Pretorius 2008; Sarasvathy & Menon 2003; Watson & Everett 1993)? This suggests four main failure definitions; business discontinuation for any reason, disposed of the business to prevent further losses, bankruptcy and falling short of goals. Watson

and Everett (1993) emphasised that researchers defined business failure in an approach that will demonstrate the failure rates they wanted to prove.

2. **How** to deal with business and new venture failure (McGrath 1999; Shepherd 2003)? After a new venture or a business fails, the entrepreneurs and intrapreneurs must decide on their futures. They can cope with the failure, learn from it and start their next venture (McGrath 1999; Shepherd 2003; Singh, Corner & Pavlovich 2007) or exit entrepreneurial activities and return to employment.

3. **Why** is it important to learn from business and new venture failure (Politis & Gabrielsson 2009; Sitkin 1992)? The outcome of failure should be a cognitive reflection on organisational (or entrepreneurial) behaviour and performance, through which the failure becomes a learning stage for improved performance in the future. Moreover, repeating successful routines may have a contradictory outcome, as entrepreneurs become over-confident in their actions and repeat the same routine even if the situation has altered. In such a case, their chances of failing in their next venture increase as it prevents them from adapting to changing circumstances (Baumard & Starbuck 2005).

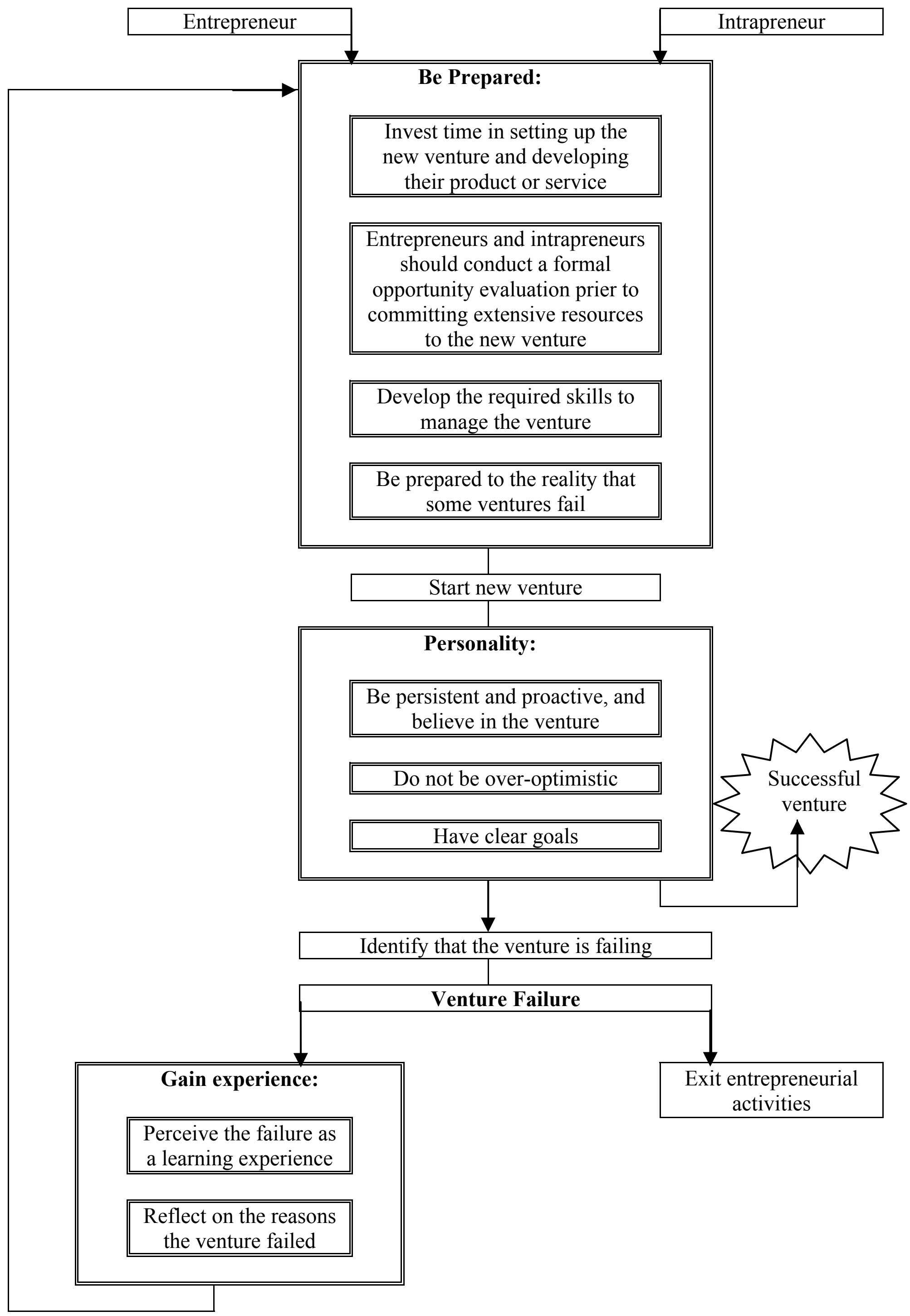
However, the literature regarding what it is that entrepreneurs and intrapreneurs learn from new venture and business failure is scant. This research is intended to fill that gap.

Entrepreneurs and intrapreneurs are similar in many respects but, at the same time, working in different environments means that an emphasis must be placed on the differences between them as well (Morris, Kuratko & Covin 2008; Stevenson & Jarillo 2007). Therefore, this research aimed to fill a second gap through the addition of intrapreneurs to the dataset. To be able to create one conceptual model within which both entrepreneurs and intrapreneurs can be accommodated, the study needed to find similarities and differences between entrepreneurs and intrapreneurs.

The study confirmed that, although entrepreneurs and intrapreneurs perceived business and new venture failure differently, they learned similar things from such occurrences. Therefore, one conceptual model was created as result of this study (figure 1.3).

However, as this research is an exploratory project, future research will need to obtain generalisable results. In addition, as the attitude towards new venture failure is culturally based (Cave, Eccles & Rundle 2001; Landier 2005), it is recommended that a future study be cross-cultural to overcome the cultural limitation of the current research.

Figure 1-3: Conceptual Model



Source: Developed for this study

The main contribution to the body of knowledge is a list of suggestions given by experienced entrepreneurs and intrapreneurs to novice and nascent entrepreneurs and intrapreneurs. These suggestions are a summary of the learning experienced by the participants in this study.

In addition, these suggestions were embedded in the preliminary conceptual model (Figure 1.2) and formed the basis of the final conceptual model (Figure 1.3).

1.4.1 Implications

Entrepreneurial learning can be understood in two ways, learning to behave as an entrepreneur and the lessons learned by entrepreneurs during their careers (Rae & Carswell 2001). Understanding what can be learned from new venture and business failure can exert an influence on both types of learning:

- Learning to behave as entrepreneurs – the knowledge gained by experienced entrepreneurs and intrapreneurs from their failed ventures can be incorporated into entrepreneurship courses in universities and colleges. The framework that was created here will help these nascent entrepreneurs and intrapreneurs to understand better the issues they will confront on their entrepreneurial journey.

- Entrepreneurs and intrapreneurs' learning during their entrepreneurial career – by learning from the failure of others, novice entrepreneurs and intrapreneurs may have greater chances of succeeding in their first venture.

1.5 Overview of the Methodology

This research explores what entrepreneurs and intrapreneurs learned from the failure of their ventures. The study suggests that, although failure is not a desired outcome of a venture, there are worse case scenarios and good things can come of it.

As the academic literature regarding what can be learned from new venture and business failure is minimal, this study is an exploratory qualitative project.

To understand the phenomenon of new venture failure and what entrepreneurs and intrapreneurs can learn from it, this study uses practice-based theory that explores what and how entrepreneurs and intrapreneurs suggest they have learned from their failed new venture. Practice-based theories are entrepreneurs' narratives for making sense of what works and what does not, based on their own experience. Therefore, the researcher's task is to create academic theory from the participants' narratives (Rae 2004b).

The study used a multiple method research approach; primary data was collected by online survey and structured interviews. In addition, secondary data was collected from previously published researchers to serve as a basis for establishing validity of the primary data. Cooper and Schilder (2003) have stated that, in qualitative research, questionnaires are self-administrated interviews and can, therefore, replace face-to-face structured interviews as a way of allowing a broader sample. Therefore, the analysis of the data treated the entire data set as data that came from structured interviews.

The chosen sampling method is purposive sampling using opportunity and snowball techniques (Tashakkori & Teddlie 2002).

While searching for entrepreneurs and intrapreneurs to participate, an opportunity to target two entrepreneurial databases arose. Included in the databases are the last three years' winners of Deloitte's "Technology Fast 50" and WiT (Women in Technology) from Queensland. Both organisations agreed to send the questionnaire to their members. In addition, structured interviews were held with 12 of these participants, plus an additional four participants as a control group. The instrument that was used for the structured interviews and the online questionnaire was based on Stocks and Blackburn's (2002) questionnaire. It was adapted to an Australian context, and relevant questions were added. Pre-testing was implemented via academics and practitioners.

Data analysis used cognitive maps to categorise the data. The cognitive map technique was developed by cognitive psychologists as a means of modelling causal relationships between variables within belief systems as reported by individual respondents. However, the use of this technique was extended to describe the characteristics of social systems (Russell 1999). Cognitive maps are identified as a viable way of both examining the cognitive structures of entrepreneurs and demonstrating the differences between entrepreneurs and corporate entrepreneurs in their cognitive structures (Brännback & Carsrud 2009).

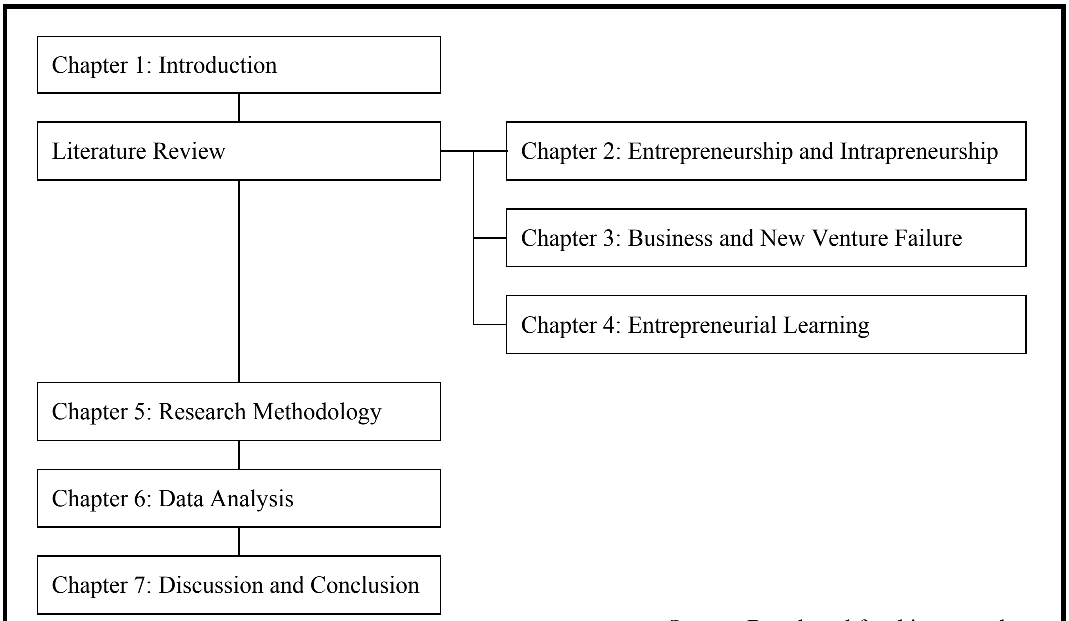
This technique spreads the main themes on paper as a base for the map (Buzan & Abbott 2005). To simplify use in the analysis, the cognitive maps were converted to tables.

After categorising the data, the analysis used classic content and word count techniques (Ryan & Bernard 2000).

1.6 Thesis Structure

The thesis consists of seven chapters (including this introductory chapter). An overview of the remaining chapters follows, and a conceptual map summarising the thesis structure is shown in Figure 1.4

Figure 1-4: Thesis Structure



Source: Developed for this research

1.6.1 Chapter 1: Introduction

This chapter introduces the research background, along with the purpose and the significance of the research, an overview of the study's methodology. It concludes with an outline of the thesis.

1.6.2 Chapter 2: Entrepreneurship and Intrapreneurship

This chapter summarises the change in the definitions of the entrepreneur over time and incorporates corporate entrepreneurs (intrapreneurs) in this definition. The chapter concludes with a description of the entrepreneurial typology.

The definition of the entrepreneur has changed over the years, starting with an undertaker or an adventurer (Say 1836), through the notion of a creator of new ventures with the objective of gaining financial rewards (Schreier & Komives 1977), to a definition that removed the emphasis on financial rewards and posited the entrepreneur as "a person who habitually creates and innovates to build something of value around perceived opportunities" (Bolton & Thompson 2004). Furthermore, in this study, corporate entrepreneurs (intrapreneurs) are introduced to the general definition of entrepreneurs as suggested by Sharma and Chrisman (2007). Therefore, the entrepreneur is defined as "*an individual who applies innovative solutions to opportunities in new or existing organisations*".

Regardless of the definition of the entrepreneur, the academic literature on entrepreneurship mentions six types of entrepreneurs: nascent, novice, one-time, serial, portfolio and habitual. These are the definitions used in this study:

- Nascent Entrepreneurs – *Nascent entrepreneurs are individuals who have taken their first steps towards starting their first new venture in a mature business or a new business* (Bosma & Harding 2006; Gulst & Maritz 2009b)**.**
- Novice Entrepreneurs – *Novice entrepreneurs are entrepreneurs who started their first venture*, *regardless of whether it is a new business or a new venture* (Amaral & Baptista 2006; Gulst & Maritz 2009b).
- One-Time Entrepreneurs – *One-time entrepreneurs are entrepreneurs who started their first venture, but did not start other ventures* (Gulst & Maritz 2009b; Sarasvathy & Menon 2003). A unique type of "one-time entrepreneur" is the entrepreneur who opened their first venture then sold it for a good price and retired or continued to develop it until retirement.

- Habitual Entrepreneurs – *Habitual entrepreneurs are entrepreneurs who start new ventures consistently*, *one at a time, or a number simultaneously* (Gulst & Maritz 2009b; Westhead & Wright 1998).
- Serial Entrepreneurs – *Serial entrepreneurs are habitual entrepreneurs who create new ventures, one at a time* (Gulst & Maritz 2009b). The ventures can be a new business (Bosma & Harding 2006; Florin 2005) or embedded in a mature business (Morris, Kuratko & Covin 2008; Sharma & Chrisman 2007).
- Portfolio Entrepreneurs – *Portfolio entrepreneurs are habitual entrepreneurs who create, manage and / or lead multiple new ventures simultaneously* (Gulst & Maritz 2009b; Ucbasaran, Westhead & Wright 2008). They are involved in some new businesses and / or some new ventures embedded in mature business at the same time.

This research focuses on habitual entrepreneurs and intrapreneurs (serial and portfolio) who experienced both successful and failed ventures.

1.6.3 Chapter 3: Business and New Venture Failure

This chapter defines business and new venture failure, and the main causes for new venture and business failure, as found in the academic literature. It concludes with an explanation of the paradoxical nature of new venture and business failure.

However, before trying to understand this paradox, one should understand the phenomenon of business and new venture failure. There is no consensus with in the academic literature on a definition of business failure (Watson & Everett 1993). Researchers define failure as it fits their research question and the failure ratio they wish to indicate. Therefore, Pretorius (2009) suggests that there is a lack of comparability in research outcomes.

Watson and Everett (1993) summarised four main reasons for business failure; discontinuance for any reason, disposed of to prevent further losses, bankruptcy and falling short of goals.

The approach taken to venture failure in this research is that it is decided by the entrepreneur alone, regardless of the objective state of the new venture or business.

Therefore, the definition of new venture failure is a nuance of "falling short of goals" and is described as "*the entrepreneur's dissatisfaction with the venture's progression*". This is the most appropriate definition of failure for this research, as the unit of measure in the research is the entrepreneurs and not their businesses. Furthermore, this definition is appropriate for business failure as well as new venture failure.

Business failure is not a unique experience; it can happen for different reasons and to any business regardless of its age, size or field. The academic literature separates business failure into two categories: endogenous causes (internal to the firm, presumably within its control) and exogenous causes (external to the firm, beyond its control) (McKenzie & Sud 2008). A different system of classification divides causes of failure into five categories: Managerial, Human Resources, Finance, Marketing and Governance. Each of these categories includes internal and external causes (Rogoff, Lee & Suh 2004).

The paradoxical nature of business failure is divided into two parts. The first is related to culture and geography. While in the United States, failure is taken as part of the entrepreneurs' learning curve, in Europe and Japan, failure is seen as a negative outcome, and entrepreneurs find it difficult to fund their next venture if they failed in the first one (Cope, Cave & Eccles 2008; Landier 2005; Lee & Peterson 2000). The second part of the paradoxical nature of business failure is the confusion between entrepreneurs who closed their business and "unsuccessful" entrepreneurs. In other words, between failed ventures and failed entrepreneurs (Sarasvathy & Menon 2003; Stokes & Blackburn 2002).

1.6.4 Chapter 4: Entrepreneurial Learning

This chapter commences by explaining learning in general, differentiating between behavioural, cognitive and action learning. From the general perspective of learning, it focuses on entrepreneurial learning and the action learning style which is used by entrepreneurs, deliberately or not (Clarke et al. 2006). It concludes with the study's preliminary conceptual model, research questions and propositions.

Skinner (1953) defined learning as a change of behaviour, emphasising that improvement in performance may be regarded as training and not as learning. This definition was broadened by Huber (1991: 89), who emphasised that learning is seen when there is a potential for behavioural change: “an entity learns if, through its processing of information, the range of its potential behaviours is changed”. Therefore, it is the process the entrepreneurs go through and not its outcome that is important.

A very different approach to defining learning comes from the cognitive and experiential learning theories, according to which learning is defined as knowledge creation (Gibb 1997; Harrison & Leitch 2005; Kolb 1984). This definition is based on the works of John Dewey, Kurt Lewin and Jean Piaget which were published early in the 20th century (Kolb 1984).

Cope (2005: 374) describes entrepreneurs’ learning as “learning experienced by entrepreneurs during the creation and development of a small enterprise, rather than a particular style or form of learning that could be described as ‘entrepreneurial’”. While accepting this definition, it is argued in this research project that experience can come from any venture creation, and not only from ventures that create new enterprises.

Most researchers agree that entrepreneurs’ learning is a process of changing experience into knowledge, or just gaining knowledge. Throughout this study, the general definition that entrepreneurs’ learning is a process of changing experience to knowledge is accepted. Therefore, entrepreneurs’ learning is defined as *the creation of knowledge that leads to behavioural change*.

Shepherd (2003) emphasises that learning from venture failure occurs when entrepreneurs are able to use the experience and the information gathered in the failed venture to revise their knowledge and beliefs. Therefore, entrepreneurs must reflect on their actions, understand what went wrong and use the new knowledge in their next venture (Shepherd 2003). However, McKenzie and Sud (2008) demonstrate that, although it is important to learn from failure, there are cases in which there is nothing to learn from the failure. They give an example of failure caused by exogenous forces, though it is credible that even from such an event entrepreneurs can learn. If they reflect on their actions, they can learn to avoid those forces in their next venture (for example, to choose a different environment within which to start their next venture).

1.6.5 Chapter 5: Research Methodology

The aim of this chapter is to explain the methodology used in the study. This chapter discusses the research design, sources of data, sampling techniques, the instrument used, data analysis and the quality criteria for this chapter.

An overview of the methodology is presented in Section 1.5.

1.6.6 Chapter 6: Data Analysis

This chapter is dedicated to data analysis. To analyse the results of the study, practice-based theories were used. Therefore, the participants' direct responses were used in the analysis.

Multiple methods of data collection were used, including an online questionnaire and structured interviews. Cooper and Schilder (2003) stated that in qualitative research, questionnaires are self-administrated interviews and, therefore, can replace face-to-face interviews as a way of facilitating the creation of a broader sample. Therefore, the analysis of the entire data set was conducted as though it was data collected from structured interviews. Data categorisation was implemented using cognitive maps. In order to simplify their use in the analysis, the cognitive maps were transformed into tables. The analysis used classic content analysis and word count techniques (Ryan & Bernard 2000).

The questionnaire was sent to 300 entrepreneurs and intrapreneurs in Australia, with a participant rate of 9%. Of the 27 participants, three failed to complete the entire questionnaire, though they did complete the most important questions. Eighteen males and six females, aged between 25 and 64, answered the questionnaire, although three of the participants failed to identify their gender and age.

The majority of the entrepreneurs and intrapreneurs who participated in the study are habitual entrepreneurs (22 of 26). Of the four non-habitual entrepreneurs and intrapreneurs, only one is a novice, in his first year as a business owner or manager, one has managed his business for five years and two have been managing their businesses for nine years. As this is their first venture or business, they have not experienced venture failure.

The analysis demonstrated that each participant had a different definition of business and new venture success and failure. In addition, entrepreneurs and intrapreneurs perceived business and new venture success and failure differently.

The chapter concludes with a list of suggestions given by experienced entrepreneurs and intrapreneurs to novice and nascent entrepreneurs and intrapreneurs. The suggestions from both parties were similar, and are intended to assist novices in their efforts to avoid new venture failure, regardless of whether the venture is a start-up or embedded in a mature organisation.

1.6.7 Chapter 7: Discussion and Conclusions

This chapter discusses the findings of the study and compares them with the relevant academic literature. Findings that add to the body of knowledge are emphasised in separate sub-sections. The chapter concludes with the study's limitations and suggestions for future research.

There is no consensus within the academic literature on a common definition of business failure (Pretorius 2009; Watson & Everett 1993). Likewise the participants in this study addressed business and new venture failure from different perspective. In addition to common definitions of business failure, the participants used as definitions of failure terms that are used in the academic literature to explain the causes of business failure. As this research allowed the entrepreneurs and intrapreneurs to define new venture and business failure without asking for the reasons for failure, they defined new venture and business failure in terms used by the former researchers to explain the causes of failure. It appears that the participants in this research did not distinguish between the causes of failure and the definitions of failure. They have defined the failure by the cause that drove the business or new venture toward failure. In addition, the participants in this research used definitions that were not found in the academic research on such failure.

Learning from failure was shown in this study in three ways:

1. Participants' estimation of their change in skills as a result of their failed ventures – The data analysis demonstrated that the majority of the participants in this research improved their managerial, financial and adding value skills.

The change in skills confirms that the participants learned from their failed new venture.

2. Establish connections between the reason they decided that their venture failed and the experiences they will take with them to the next venture (positive failure) and experiences they will avoid (negative experiences) – This connection is based on Cannon and Edmondson's (2005) learning cycle, which is established in this study by the combination of the decision regarding failure (identify failure), decision reasoning (analyse failure) and experiences that the participants see as useful for or will avoid in their next venture (as a result, their next venture will be deliberate experimentation).

3. Establish connections between their experiences (positive and negative) and their suggestions to novice and nascent entrepreneurs – This is reinforced using experiential learning (Mainemelis, Boyatzis & Kolb 2002). Experiential learning was demonstrated here by verifying the connections between the experiences that the participants found useful for or detrimental to, their next venture (the experience in the experimental learning) and the suggestions they gave to nascent and novice entrepreneurs and intrapreneurs (transforming experience into knowledge).

The majority of the suggestions given by the participants to novice and nascent entrepreneurs and intrapreneurs can be related to causes of failure that were found in the academic literature. However, there were three new suggestions that are an addition to the body of knowledge:

1. Entrepreneurs and intrapreneurs should be prepared for the reality that some ventures fail. They should detach themselves from the venture and search for fatal flaws in the planned venture before starting it. When finding the flaws, they must prepare a plan that will able them to be avoided.

2. Entrepreneurs and intrapreneurs should invest time in setting up the new venture and developing their product, as being first in the market is not always worthwhile. They should spend enough time and money on due diligence. They should also remember that bugs in the products can create bad impression

3. Each venture is part of a learning curve. Therefore, entrepreneurs and intrapreneurs should accept any failure or success as a learning experience that will help them in their next venture.

As result of the participants' suggestions, the preliminary conceptual framework was updated. The model adds three stages: before starting the new venture (be prepared), after starting the new venture (personality) and after venture failure (gain experience).

As with every academic research project, there are several limitations to this study which need to be taken into account. The first is an inability to generalise the results. The second is that this study relies on the perspective and self-assessment of the entrepreneurs and intrapreneurs'. The third is the sample size. This study's data set came from only 19 entrepreneurs and eight intrapreneurs.

This research established what 27 Australian entrepreneurs and intrapreneurs learned from their failed ventures. As this is an exploratory qualitative research project, future research should expand the research into a quantitative study and generate findings, which can be empirical to a wider dataset.

1.7 Summary

This chapter presents the background for this study, together with the purpose of the study and primary research questions. The significance of the project is described, and an overview of the methodology is presented. The chapter concludes with the structure of the thesis.

The next chapter is the first of three literature review chapters, presenting the changes in the definitions of the entrepreneur, intrapreneur, entrepreneurship and intrapreneurship since 1760. It defines the entrepreneur and illustrates entrepreneurial typology. Furthermore, it sets a foundation for the research questions and propositions.

Chapter 2 Entrepreneurship and Intrapreneurship

2.1 Introduction

In order to understand and define the constructs of entrepreneur and entrepreneurship, this study commences with the evaluation of the constructs.

The definition of entrepreneurship has changed over the years, starting with the enterprise of an undertaker or an adventurer (Say 1836), through a creation of new ventures with the purpose of gaining financial rewards (Schreier & Komives 1977), to a definition that removed the emphasis on financial rewards and instead describe an entrepreneur as "a person who habitually creates and innovates to build something of value around perceived opportunities" (Bolton & Thompson 2004). Most recently added has been the intrapreneurs category to the entrepreneurs as " an individual or a group of individuals, acting independently or as part of corporate system, who create new organisations, or instigate renewal or innovation within an existing organisation" (Sharma & Chrisman 2007). While taking into consideration the evolution of the definitions of an entrepreneur, this research defines the entrepreneur as "***an individual who applies innovative solutions to opportunities in new or existing organisations***".

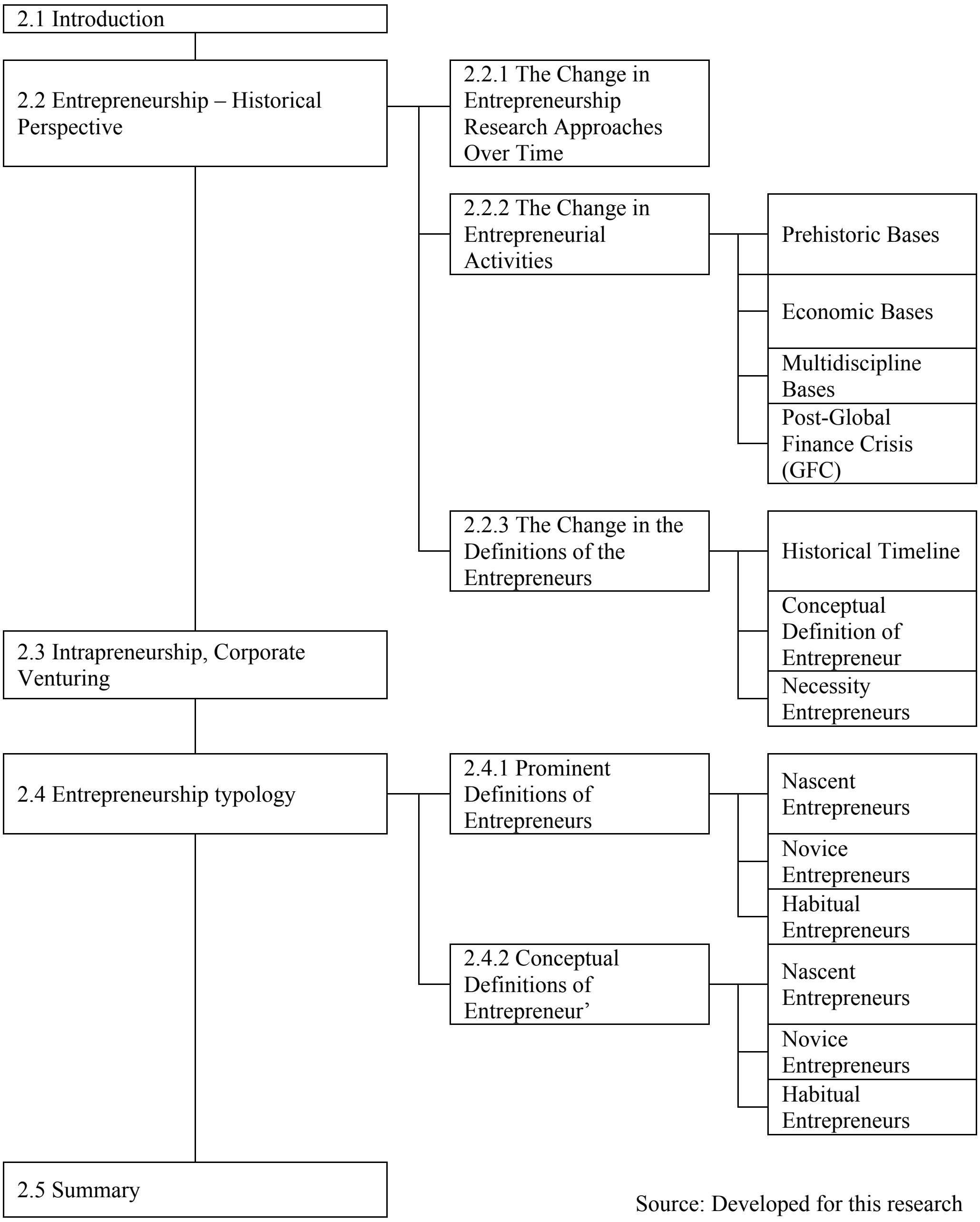
The structure of this chapter is presented in Figure 2.1.

Section 2.2 – summarises the history of entrepreneurship, following the changes in research approaches and entrepreneurial activities from 1830 until today. The section concludes with the change in the definition of the entrepreneur, and provides a working definition for this research, emphasising that intrapreneurs are entrepreneurs who work in different environments.

Section 2.3 – emphasises corporate entrepreneurs (intrapreneurs) and corporate venturing (intrapreneurship). In addition, the difference between entrepreneurs and intrapreneurs and between entrepreneurship and intrapreneurship is presented.

Section 2.4 – discusses the typology of entrepreneurs. The entrepreneurship literature mentions six entrepreneurial categories: nascent, novice, one-time, serial, portfolio and habitual. This section elaborates on each type, as found in the relevant literature, setting working definitions that incorporate the intrapreneur.

Figure 2-1: Entrepreneurship and New Venture Failure – Chapter Structure



Source: Developed for this research

2.2 Entrepreneurship – Historical Perspective

Entrepreneurship and entrepreneurs evolved with the human race, although entrepreneurship had a different meaning in medieval times, having had to do with overcoming risk and institutional constraints (Murphy, Liao & Welsch 2006). Therefore, Murphy et al. ((2006: 13) define entrepreneurship as "the discovery, evaluation and utilisation of future goods and services". This research defines an entrepreneur as "***a person who applies innovative solutions to opportunities in new or existing organisations***". This definition is based on the historical evolution of the definition of the entrepreneur as described in section 2.2.3.1.

2.2.1 The Change in Entrepreneurship Research Approaches Over Time

In the middle of the 18th century, an Irish banker working in France, named Richard Cantillon, introduced the concept of the modern form of entrepreneurship to the economic, business and commerce academic literature. Cantillon's attitude towards entrepreneurs was as to undertakers, adventurers and risk takers. However, it was the actions of the person which defined them as entrepreneurs and not their personal traits (Murphy, Liao & Welsch 2006). In 1803, Jean Baptiste Say, a French economist, broadened Cantillon's definition and described the entrepreneur as a person who is at the same time an adventurer, a capitalist and a labourer (Say 1836).

The next important economist who studied entrepreneurship was Joseph Schumpeter. He saw entrepreneurs as innovators, as special and different people. Schumpeter is one of the first economists who emphasised the personal traits of the entrepreneurs and not the role they take in the business (Schumpeter 1934). Other researchers carried on in this direction, regarding the entrepreneurs as unique people and, therefore, entrepreneurship as a unique field that cannot be taught. Although the trait approach still exists, the behavioural approach in entrepreneurship research is returning as researchers come from disciplines other than economics.

Shane (2000) and Murphy et al. (2006) emphasise that, today, the research is targeting opportunities and not only entrepreneurs. Furthermore, Shane and Venkataraman (2000) highlight the importance of considering entrepreneurship as a combination of lucrative opportunities and enterprising individuals. They define the entrepreneurship research field as “the examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited” (Shane & Venkataraman 2000: 218). Figure 2.2 depicts the change of entrepreneurship research approaches.

Figure 2-2: Research Approaches Timeline

Behavioural (Cantillon 1755; Say 1836) ➔	Traits (Schumpeter 1934; Thompson 2004) ➔	Behavioural (Bolton & Thompson, 2004; Gartner, 1988; Westhead, Ucbasaran, & Wright, 2005) ➔	Opportunities (Murphy et al., 2006; Scott Shane & Venkataraman, 2000)
Main field of researchers: Economics	Main field of researchers: Economics	Main field of researchers: Business	Main field of researchers: Business

Source: Developed for this research

In 1959, Herberton made the distinction between innovative entrepreneurs and imitative entrepreneurs. He stressed that, although the innovative entrepreneurs see a need and innovate a solution, they lack the ability to see the possibilities of spreading their invention to other fields. On the other hand, imitative entrepreneurs take these inventions and spread them to other fields and uses. He emphasised that although the innovative entrepreneurs are important, as they invent new technologies, the imitative entrepreneurs are important as they spread the technologies to new fields and find more uses for it (Herberton 1959). Although researchers who have been active more recently agree with Herberton on these two types of entrepreneur, the perception of the innovative and imitative entrepreneurs is exactly opposite. The perception today is that the innovative entrepreneurs are the entrepreneurs that help grow the economy as they generate more jobs (Koellinger 2008; Poh Kam, Yuen Ping & Erkko 2005). This research field is entrepreneurship, though the unit of measure is the entrepreneurs and not their ventures.

2.2.2 The Change in Entrepreneurial Activities

This section explains the main changes in the entrepreneurial act, based on Murphy, Liao and Welsch (2006), adding the post-Global Financial Crisis (GFC). Figure 2.3 describes the changes in the concept of entrepreneurship through history. Murphy et al.

(2006) divided the change in entrepreneurial activities by the changes in the economic paradigm: Prehistoric, economic and multidiscipline. However, as the financial world goes in cycles of flourishing followed by slumping, one can see the changes that occur as a result of those global economic crises, which may have caused the change in economic thinking (Howcroft 2001) and attitudes towards entrepreneurship.

2.2.2.1 Prehistoric Bases

Before the middle of the 18th century, entrepreneurial activities did not involve capital and wealth accumulation, but rather a loss of prestige, which was an important form of social and political capital (Murphy, Liao & Welsch 2006). Although trade between countries had occurred from the earliest ages of recorded history, it was not considered to be an entrepreneurial activity when an empire conquered other countries. They simply bought and sold goods between them. During the 16th and 17th centuries, entrepreneurial activities were undertaken with the intention of remedying inefficiencies and / or offering new solutions or goods and services. These activities were established in the east before arriving in the west through empire dispersal (Russell 2005).

2.2.2.2 Economic Bases

The characteristics of this period were free trade, specialisation and competition. Therefore, entrepreneurs were able to discover unique niches and exploit opportunities. This changed the economic structure and introduced capitalism. People were categorised in economics terms as landlords, capitalists and workers (Murphy, Liao & Welsch 2006).

Two major financial crises occurred during this period, the South Seas Bubble (1720) and the Railway Mania (1840). Figure 2.3 shows a change after every crisis; in 1720 capitalism started, while after 1840 entrepreneurs used more managerial methods.

2.2.2.3 Multidiscipline Bases

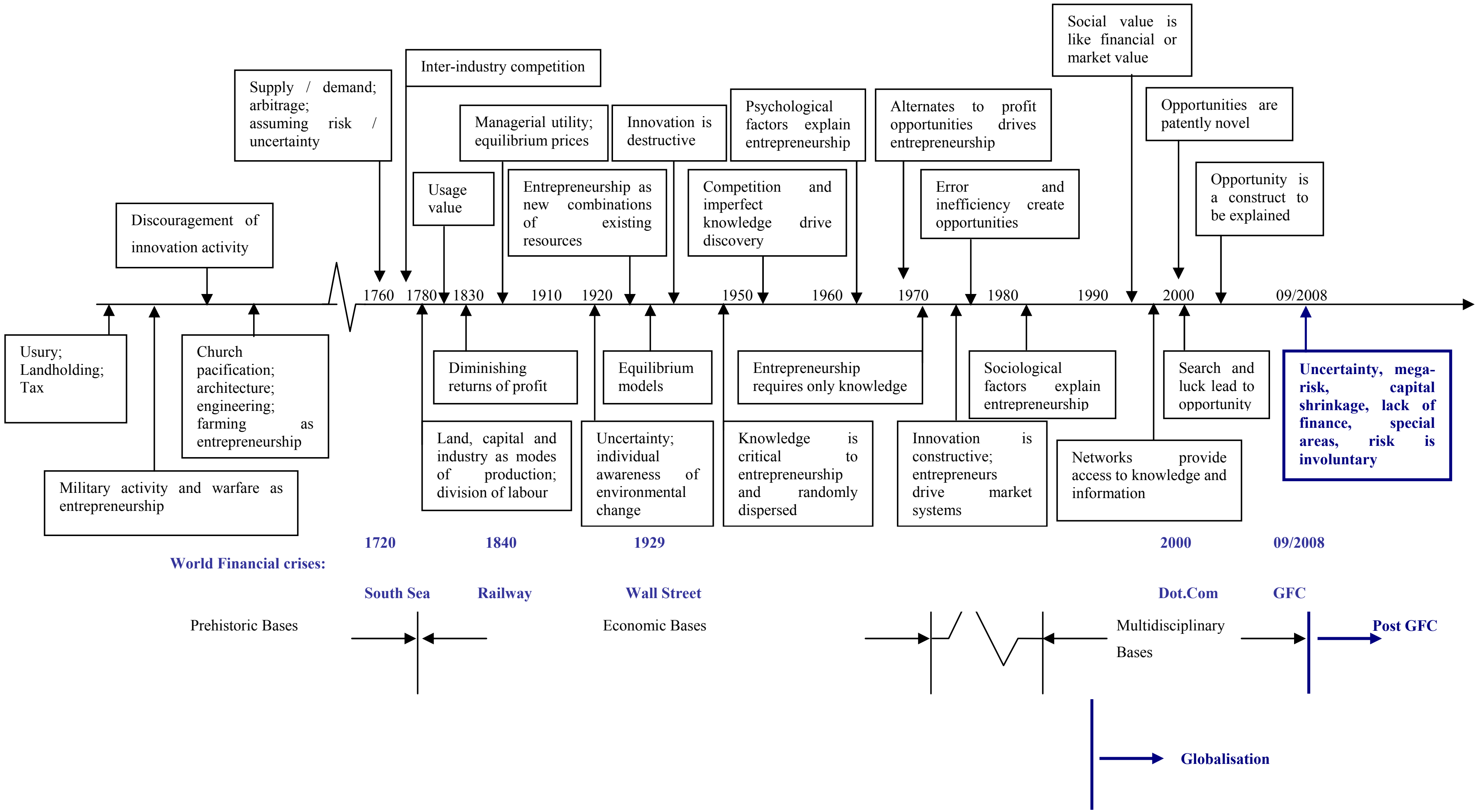
After each crisis, uncertainty rose and entrepreneurs were more cautious. Following the Wall St. Crash in 1929, the prevailing atmosphere was that innovation is destructive, and entrepreneurship was regarded as being about new ways of using existing resources (Murphy, Liao & Welsch 2006).

New markets were opened around the world during the second half of the 20th century. Globalisation made importing and exporting between countries and continents easier. Furthermore, in addition to economics factors, environmental and human factors influenced entrepreneurial performance (Murphy, Liao & Welsch 2006).

The introduction of the internet to the business world during the last decade of the 20th century had the biggest influence on entrepreneurship. The ability to connect through the internet to the whole world made the globalisation even easier. Entrepreneurs could now open a business in one country, research and development department in a second and manufacture in a third (Friedman 2005).

As the internet became an easy platform for innovation, towards the end of the century more entrepreneurial activities and resources were directed to the internet and the "dot com" industry. The atmosphere was one of radical change in the economic rules, shifting from the industrial society to post-modernism, from hardware to software. Every venture capitalist wanted to take part in this growing business, and searched for attractive ideas in which to invest. The venture capitalists searched for people and projects in which to invest, as opposed to periods before and after the bursting of the dot com bubble (Howcroft 2001). Entrepreneurs needed a good idea, working without business plans (that were believed to be part of the "old economics"), counting success as the "number of hits" on their websites instead of real cash (Howcroft 2001). The main concern in entrepreneurial activities was searching for the best opportunity (Murphy, Liao & Welsch 2006).

Figure 2-3: Change in Entrepreneurial Perspectives through History



Source: Adapted from Murphy, Liao and Welsch (2006: 16)

2.2.2.4 Post-Global Financial Crisis (GFC)

Academic literature is scant regarding empirical data on the GFC, as it is too recent at the time of writing. Therefore, this section is based on periodical magazines such as "The Economist" and the "Harvard Business Review".

The GFC started on 15th September 2008, when Lehman Brothers Holdings was liquidated. This was one of seven events in the United States that occurred between the 7th of September (Nationalisation of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation) and the 25th of September when the Washington Mutual Bank was seized (Ferguson 2009).

The GFC transferred the uncertainty and the risk-taking from the entrepreneurs to everyone in business (Bryan 2009). However, as risk taking became the driving force in business, it became necessary that enterprises reacted neither too rashly nor too hesitantly. Both of these types of action will distract business people from the hidden opportunities that the crisis brings (Bryan 2009; Rhodes & Stelter 2009).

2.2.3 The Change in the Definition of the Entrepreneur

Casson (1982) identifies two main approaches to defining entrepreneurs: the functional and the indicative. The functional approach defines the entrepreneur as "someone who specialises in taking judgmental decisions about the coordination of scarce resources" (Casson 1982: 23). The indicative definition describes entrepreneurs in terms of their legal status, contractual relations with parties, and their position in society and so on.

Casson (1982) stresses, that according to the functional definition, the entrepreneur is a single person, as only one person can make these types of decisions in a venture and anyone who performs this function is an entrepreneur. Furthermore, Gartner (1988) agrees with Casson (1982), although using different terms, and defines the two approaches as the trait approach (Casson's functional approach) and the behavioural approach (Casson's indicative approach).

More recent definitions maintain this division, with each researcher defining the entrepreneur with respect to his or her approach. For instance, McKenzie and Sud (2008 :123) define entrepreneurs as "individuals that can see what is not there", which can be related to the trait approach. The behavioural approach to the definition of entrepreneurs can be seen in Westhead, Ucbasaran and Wright's (2005: 395) definition: "individuals who are the most influential members of surveyed independent businesses (that is, key decision makers)" .

Although agreeing with these generalised definitions, this research extends the behavioural approach and breaks the definitions into three groups; the generation of income approach, the organisational approach and the personality approach. Tables 2.1-2.3 show the changes in the definitions of the entrepreneur over time.

2.2.3.1 Historical Timeline

In the edition of J-B Say's book "A treatise on political economy", which was translated into English in 1836, the translator Prinsep uses the word *adventurer* as a translation of the term *entrepreneur* that appeared in the original. He explains that:

> "*The term entrepreneur is difficult to render in English; the corresponding word, **undertaker** being already appropriated to a limited sense. It signifies the master-manufacturer in manufacture, the farmer in agriculture, and the merchant in commerce; and generally in all three branches, the person who takes upon himself the immediate responsibility, risk and conduct of a concern of industry, whether upon his own or a borrowed capita. For want of a better world, it will be rendered into English by the term **adventurer***" (Say 1836: 78).

Both Cantillon (1755) and Say (1836) defined entrepreneurs by their actions. They believed that each organisation needs to have an undertaker (someone who undertakes new activities). Therefore, there will be a man who will take this position (the use of the word **man** is deliberate, as at that time the person was usually a man) (Cantillon 1755; Say 1836). Herberton (1959: 250) continued with this logic and defined entrepreneurs, singly or collectively as "a person or a group of persons [whose] function in the business is to find new directions". He suggests that usually these people will be inventors who will come up with new ideas. However, this is not essential, as all they are responsible for doing is bringing new ideas into the organisation and these may be either innovative or imitative. A more extreme definition is suggested by Brockhaus (1980: 510) who defines the entrepreneur as "a major owner and manager of a business venture who is not employed elsewhere". Once again, entrepreneurs are defined by the role they take and not by what or how they perform that role. This type of definition still exists in more recent articles. For example, Westhead, Ucbasaran and Wright (2005: 395) define entrepreneurs as “individuals who are the most influential members of independent businesses (that is, key decision makers)”.

Table 2-1: Definitions of Entrepreneur – Income Generating Approach

Definition \ Author	Cantillon, 1755	Schreier & Komives (1977)
Entrepreneurs buy at a certain price to sell again at an uncertain price, with the difference being their profit or loss.	X	
Individual or small group of individuals who start a new business and who stand to lose significant financial commitment or to gain significant financial rewards, based upon the success of that formation.		X

A different approach to defining entrepreneurs was first suggested by Schumpeter (1934). He identified entrepreneurs not only as undertakers or adventurers, but also as innovators who introduce new goods and services to the world, regardless of the industry they work in. His definition became the base for many other researchers who placed the emphasis in their work on innovation and novelty (Bolton & Thompson 2004; Hayek 1940; Hebert & Link 1989; McKenzie & Sud 2008; Wooldridge 2009).

Based on Schumpeter’s definition, the next change in the attitude towards definition of the entrepreneur occured in 1993, when Drucker (1993) emphasised that the entrepreneur principal characteristic is not creating a new organisation, nor making a profit, but rather developing the ability to exploit opportunities that create change.

Bolton and Thompson (2004) added to Drucker’s (1993) definition the importance of habitual process. Therefore, according to their definition, a person who saw an opportunity, exploited it, and did not search for more opportunities is not an entrepreneur. They define an entrepreneur as “A person who habitually creates and innovates to build something of value around perceived opportunities" (Bolton & Thompson 2004: 16). As was the case with Drucker, they do not include the pursuit of profit as a part of their definition of the entrepreneur, and by doing so, both add social entrepreneurs to the manufacturing or industrial entrepreneurs whom Schumpeter and others defined. McKenzie and Sud (2008: 127) stressed that entrepreneurs are individuals who can "see what is not there". Once again, this definition goes beyond organisation creation and / or profit. It focuses on entrepreneurial orientation, emphasising that, without it, an individual cannot become an entrepreneur.

Table 2-2: Definitions of Entrepreneur – Organisation Approach

Definition \ Author	Schumpeter (1934)	Heberton (1959)	Brockhaus (1980)	Hull, Bosley and Udell (1980)	Gartner (1988)	Westhead, Ucbasaran and Wright (2005)
Entrepreneurship is a role that individuals undertake to create organisations					X	
A person who introduces new goods, a new method of production, opens new markets, finds new sources of raw materials and impements a new organisation of any industry	X					
A person, or a group of persons, in a firm, whose function is to determine the kind of business that is to be operated		X				
A person who organises and manages a business undertaking, assuming the risk for the sake of profit; this includes those individuals who purchase or inherit an existing business with the intention of expanding it and are willing ti make the effort to do so.				X		
Individuals who are the most influential members of independent businesses (that is, key decision makers)						X
A major owner and manager of a business venture who is not employed elsewhere			X			

In the early 1980s intrapreneurship (entrepreneurship within existing organisations) was acknowledged within academia as a sub-field of entrepreneurship (Antoncic 2007) (see section 2.3 for an elaboration). Sharma and Chrisman (2007) combined intrapreneurs and entrepreneurs into one category.

Table 2-3: Definitions of the Entrepreneur – Personality Approach

Definition / Author	Say (1803)	Schumpeter (1934)	Hayek (1940)	Hebert and Link (1989)	Smilor (1997)	Drucker (2001)	Bolton and Thompson (2004)	P. Sharma and Chrisman (2007)	McKenzie and Sud (2008)	Morris, Kuratko and Covin (2008)	Wooldridge (2009)
Adventurer, a risk taker	X										
Innovator		X									
Entrepreneurs create change in the environment and respond to such change			X								
A risk-taker, a creative venturer into a new business or the one who revives an existing business				X							
A person who habitually creates and innovates to build something of value around perceived opportunities							X				
Individuals who can “see what is not there"									X		
Somebody who offers an innovative solution to a problem											X
Dreamers who do					X						
A person who always searches for change, responds to it and exploits it as an opportunity						X					
Creates the new while replacing or destroying the old										X	
Individuals or group of individuals, acting independently or as part of corporate system, who create new organisations, or instigate renewal or innovation within an existing organisation								X			

2.2.3.2 Conceptual Definition of the Entrepreneur

This research accepts Bolton and Thompson’s (2004) definition that entrepreneurship is not only about generating revenue or the creation of new organisations. In addition, it is important to add opportunity recognition to the definition, as suggested by Drucker (1993), McKenzie and Sud (2008) and Wooldridge (2009), emphasising that entrepreneurs are individuals and not a group of people. An organisation may employ more then one entrepreneur, but each entrepreneur is an individual who may start a new venture or exploit a new opportunity alone. Furthermore, this study accepts Sharma and Chrisman’s (2007) addition of corporate entrepreneurs (intrapreneurs) to the general category of entrepreneurs.

Therefore, in this study, the definition of the entrepreneur is “***an individual who applies innovative solutions to opportunities in new or existing organisations***”.

2.2.3.3 Necessity Entrepreneurs

In the above section, entrepreneurs were defined as opportunity seekers. However, there is another type of entrepreneur - the Necessity Entrepreneur (Maritz 2004). The Global Entrepreneurship Monitor (GEM) consortium defines necessity entrepreneurs as individuals who are pushed into entrepreneurship because all other options of work are either absent or unsatisfactory (Bosma & Harding 2006).

The main difference between opportunity-driven entrepreneurs and necessity-driven entrepreneurs is the motivation that drives them to commence their venture (Shane 2009). However, this research seeks to understand the outcome of ventures and not the reasons for starting them. This research aims to provide an understanding what entrepreneurs learned from their failed ventures, regardless the motivation for opening it. Therefore, it refers to necessity entrepreneurs as much as to any other entrepreneur.

2.3 Intrapreneurship and Corporate Venturing

Entrepreneurship is frequently related to the start-up of new organizations, though entrepreneurship can happen in any organisation regardless of its size, maturity or type (Morris, Kuratko & Covin 2008). This type of entrepreneurship is called intrapreneurship, corporate entrepreneurship or corporate venturing, and is mostly defined as entrepreneurship within an existing corporate structure (Bager, Ottosson & Schott 2010; Burns 2008; Fitzsimmons et al. 2005; Menzel, Aaltio & Ulijn 2007; Shepherd & Katz 2004) or entrepreneurial behaviour in an established, larger organisation (Burns 2008; Morris, Kuratko & Covin 2008). The level of entrepreneurship varies between the different organisations, with 3-M and Microsoft on the high side of the continuum and big bureaucratic firms on the low end (Morris, Kuratko & Covin 2008).

Entrepreneurs and intrapreneurs are similar in many respects but, at the same time, their working in different environments means that an emphasis must be placed on the differences between them as well. As do intrapreneurs and entrepreneurs, intrapreneurship and entrepreneurship have both similarities and differences (Hisrich 1990; Morris, Kuratko & Covin 2008). Tables 2.4 and 2.5 summarise these similarities and differences between intrapreneurs and entrepreneurs, and intrapreneurship and entrepreneurship, respectively.

Table 2-4: Intrapreneurs and Entrepreneurs, Similarities and Differences

<table>
<tr><th></th><th>Entrepreneur</th><th>Intrapreneur</th></tr>
<tr><td>Similarities</td><td colspan="2">• Requirement that the entrepreneur will be able to balance vision with managerial skills, passion with pragmatism, and pro-activeness with patience
• The entrepreneurs encounter resistance and obstacles, necessitating both a sense of perspective and an ability to formulate innovative solutions
• The entrepreneurs need to develop creative strategies for leveraging resources
• Activities involve significant ambiguity
• The entrepreneur must be able to recognise opportunities
• Leaders who have a vision for creating something new of value and wealth</td></tr>
<tr><td>Differences</td><td>• Take the entire risk
• Entrepreneur owns all or part of the venture
• Motivation may come from need for independence and / or exploiting an opportunity
• Timing pressure is market driven
• May need to change life-style by leaving present career
• Potential rewards for the entrepreneur are theoretically unlimited
• More independent, although should be backed by a strong team
• Little security
• No safety net
• Few people to talk to</td><td>• Career-related risks
• Entrepreneur may have no equity in the organisation
• Motivation may be related more to exploiting an opportunity
• Time pressure is corporate driven (for example performance review cycles)
• Keeping current career
• Clear limits are placed on the financial rewards entrepreneurs can receive
• Interdependence of the champion with many others; may have to share credit with any number of people
• Job security
• Dependable benefit package
• Extensive network for bouncing around ideas</td></tr>
</table>

Source: Adapted from Hisrich (1990) and Morris et al. (2008: 34)

The main difference between intrapreneurship and traditional entrepreneurship is that intrapreneurship includes any innovative activity within the firm, such as development of new products, services, technologies and so on, and does not necessarily end with the creation of a new organisation (Antoncic & Hisrich 2003).

Corporate entrepreneurship can be formal (sponsored by the organisation) or informal (based on the employee's efforts without formal sponsorship from the organisation). The main difference between the two lies in the challenges and opportunities. In the case of informal activities, the organisation champion and sponsor is extremely important, as the intrapreneurs need to convince the organisation of the necessity of their venture (Sharma & Chrisman 2007; Zahra, Jennings & Kuratko 1999).

Although entrepreneurs and intrapreneurs have their differences, both will advance through the same stages, commencing as nascent entrepreneurs, becoming novice entrepreneurs and then becoming either one-time or habitual entrepreneurs. The next section will elaborate on this entrepreneurial typology.

Table 2-5: Intrapreneurship and Entrepreneurship, Similarities and Differences

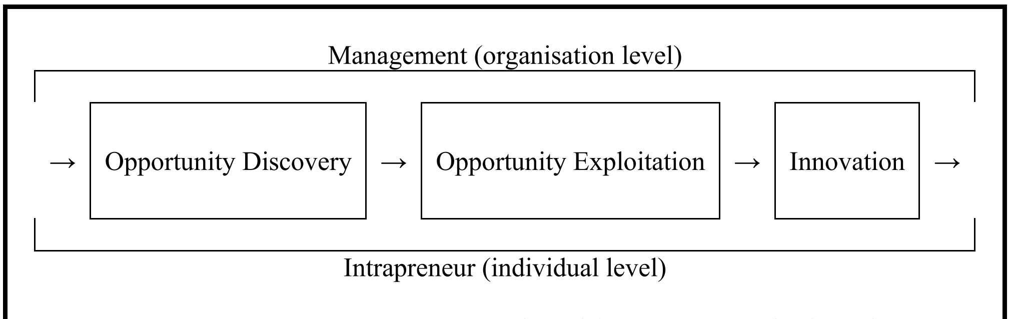
	Entrepreneurship	Intrapreneurship
Similarities	• Involves opportunity recognition and definition • Require a unique organisation that takes the form of a product, service or process • Driven by an individual champion who works with a team to bring the concept to fruition • Involves concepts that are most vulnerable in the formative stage and that require adaptation over time • Entail risk and require risk management • Require harvesting strategies	
Differences	• Entrepreneurial process creates a new organisation	• The entrepreneurial process does not necessarily end in the creation of a new organisation
	• Entrepreneur "owns" the concept or innovative idea	• Organisation owns the concepts and typically the intellectual rights surrounding the concept
	• One misstep can mean failure	• More room for errors; organisation can absorb failure
	• Vulnerable to outside influence	• More isolated from outside influence
	• Flexibility of changing course, experimenting or trying new directories	• Rules, procedures and bureaucracy hinder the entrepreneur's ability to manoeuvre
	• Speed decision making	• Longer approval cycles
	• Limited scale and scope initially	• Potential for sizeable scale and scope fairly quickly
	• Severe resources limitations	• Access to finances, R&D, production facilities for trial runs and all other corporate resources

Source: Adapted from Hisrich (1990) and Morris et al. (2008: 36)

The intrapreneurship process operates within two layers, the organisation management and the intrapreneurs (working as single intrapreneurs or as a group) within the organisation, as described in Figure 2.4. The process starts with the recognition of an entrepreneurial opportunity, and results in innovation. Intrapreneurship occurs at the individual level. However, for an organisation to develop an intrapreneurial culture, the intrapreneurs and the management should work in cooperation (Cannon & Edmondson 2005).

Managers at all levels of the organisation are the key people who allow an entrepreneurial environment to develop with in the organisation (Cannon & Edmondson 2005). However, it is important to distinguish between corporate entrepreneurship as managing opportunities as opposed to corporate leadership as managing resources (Maritz 2008). This research focuses on entrepreneurs within the organisations.

Figure 2-4: The Intrapreneurial Process



Source: adapted from Cannon and Edmondson (2005)

2.4 Entrepreneurship Typology

Regardless of the definition of the entrepreneur, entrepreneurship literature mentions six types of entrepreneurs: nascent, novice, one-time, serial, portfolio and habitual. This section will define each type of entrepreneur as found in the relevant literature, and show the connection between the entrepreneur's type and organisation / entrepreneurial failure.

This research differentiates between a new venture and an organisation. An organisation is a legal entity, while a new venture can be the whole organisation (as in a start-up), and, therefore, a legal entity, or an entity embedded in a mature organisation. The new venture is usually a method to create new products or services. Entrepreneurs that operate in new ventures that are embedded in mature organisations are titled corporate entrepreneurs or intrapreneurs.

As can be seen in this section, most of the researchers do not include the intrapreneurs in the definitions of entrepreneurs. This study accepts Sharma and Chrisman's (2007) addition of intrapreneurs to the definition. Section 2.4.2 presents the study's conceptual definitions of the entrepreneur.

2.4.1 Prominent Definitions of Entrepreneurs

This section will elaborate on the Entrepreneurs' typology definitions as found in the literature.

2.4.1.1 Nascent Entrepreneurs

The GEM has defined nascent entrepreneurs as those individuals, between the ages of 18 and 64 years, who have taken some action towards creating a new organisation in the past year. In order to qualify for this category, these individuals must also expect to own a share of the organisation they are starting and the organisation must not have paid any wages or salaries for more than three months (Bosma & Harding 2006).

2.4.1.2 Novice Entrepreneurs

Novice entrepreneurs are taking the first steps in their entrepreneurial careers. From this point, they can become habitual entrepreneurs or remain one-time entrepreneurs (Amaral & Baptista 2006; Westhead & Wright 1998).

Novice entrepreneurs are people with no experience of private business ownership. While experience is not a guarantee of success, having no experience can become a trigger for failure. Westhead and Wright (1998) could not find significant differences between the performance of novice, portfolio and serial entrepreneurs.

2.4.1.2.1 One-Time Entrepreneurs

One-time entrepreneurs are a sub-group of the novice entrepreneurs. The one-time entrepreneurs are those who return to employment if their first venture has failed (Amaral & Baptista 2006; Sarasvathy & Menon 2003), or continue and develop their venture if it succeeds.

A unique type of "one-time entrepreneurs" are those who opened their first venture then sold it for a good price and retired. However, these entrepreneurs are not the focus of this research as they will never become habitual entrepreneurs, nor experience failed ventures.

The reason for their being a separate group taken from the novice entrepreneurs is that they will never become serial or portfolio entrepreneurs, as they stopped being entrepreneurs after their first venture, and a question can be raised regarding whether or not they are actually entrepreneurs, or just people who saw a one-time opportunity and took it (Bolton & Thompson 2004).

2.4.1.3 Habitual Entrepreneurs

Habitual entrepreneurs are entrepreneurs who have established at least one other business prior to the start-up of the current new independent venture (Westhead & Wright 1998). By this definition, habitual entrepreneurs can be divided into two groups: serial entrepreneurs and portfolio entrepreneurs.

2.4.1.3.1 Serial Entrepreneurs

Sarasvathy and Menon (2003) defined serial entrepreneurs as entrepreneurs who started several ventures, both before and after successes and / or failures. Florin (2005) defined them as founders who had previously participated in the start-up of new businesses. The emphasis is on managing only one venture at any given time, in contrast to the portfolio entrepreneurs.

2.4.1.3.2 Portfolio Entrepreneurs

Portfolio entrepreneurs are experienced entrepreneurs who own multiple businesses simultaneously (Carland, Carland & Wayne H. Stewart 2002; Ucbasaran, Westhead & Wright 2008). They are distinguished from the serial entrepreneurs by the number of ventures they own and / or manage at the same time.

2.4.2 Conceptual Definitions of Entrepreneurs

This section will define the entrepreneurs' typology that will be used in this research, based on section 2.4.1 adding intrapreneurship to the definitions. Furthermore, it will focus on the ability of each entrepreneur type to become failed entrepreneurs.

2.4.2.1 Nascent Entrepreneurs

Nascent entrepreneurs are individuals who have taken their first steps towards starting their first new venture. The venture may be a new business (start-up) or embedded in a mature business. These nascent entrepreneurs may become managers of a start-up, or lead the new venture in the business that employs them. For these people, as they are not yet entrepreneurs, failure is just a risk they take into consideration when deciding to become entrepreneurs. Whether they will become successful or failed entrepreneurs in the future, only their actions will tell.

2.4.2.2 Novice Entrepreneurs

Novice entrepreneurs are entrepreneurs who started their first venture, regardless of whether it is a new business or a new venture. They are less experienced and will either remain one-time entrepreneurs or become habitual entrepreneurs. Failure in this case will be determined by their future activities and depend on their reaction if their first venture will fails.

2.4.2.2.1 One Time Entrepreneurs

One-time entrepreneurs are entrepreneurs who started their first venture, and did not start other ventures. The entrepreneur of this type will continue to develop and grow this venture if it succeeds or return to employment if it fails. This is the only group of entrepreneurs that this research regards as failures, as they ceased their entrepreneurial activities, and by doing so conform to Saravasthy and Menon's (2003) definition.

2.4.2.3 Habitual Entrepreneurs

Habitual entrepreneurs are entrepreneurs who start new ventures consistently, one at a time or simultaneously. The important concept here is that, regardless of the result of their venture (failed or succeed), they will start a new one.

The failures and successes of this group are always considered in retrospect, at the end of their entire entrepreneurial careers. In this research, this group will be addressed as successful entrepreneurs, accepting the claims of Sarasvathy and Menon (2003) and Timmons and Spinelli (2009) that there are no failed habitual entrepreneurs, just failed ventures.

2.4.2.3.1 Serial Entrepreneurs

Serial entrepreneurs are habitual entrepreneurs who create new ventures, one at a time. The ventures can be a new business (Bosma & Harding 2006; Florin 2005) or embedded in a mature business (Morris, Kuratko & Covin 2008; Sharma & Chrisman 2007).

This research adds the intrapreneurs to the category of serial entrepreneurs. Although they do not open new businesses, or may even not run the business in which they are employed, they habitually create new ventures in their business (or in the business in which they work). Disregarding these entrepreneurs would suggest that entrepreneurs like Bill Gates are one-time entrepreneurs and not serial entrepreneurs, as suggested above.

As mentioned earlier, as the serial entrepreneurs are a sub-group of the habitual entrepreneurs, they will always be considered successful entrepreneurs.

2.4.2.3.2 Portfolio Entrepreneurs

Portfolio entrepreneurs are habitual entrepreneurs who create, manage and / or lead more than one new venture simultaneously. They are involved in multiple new businesses and / or multiple new ventures embedded in mature business at the same time. The primary characteristic of this type of entrepreneur is that they divide their attention between a number of ventures instead of focusing on one. As with the serial entrepreneurs, these entrepreneurs are treated as successful, regardless of the success or failure of a specific venture.

2.5 Summary

This study commenced by summarising the changes in the definitions of the entrepreneur from the 17^{th} century to today, ultimately adopting the definition of the entrepreneur as ***an individual who applies innovative solutions to opportunities in new or existing organisations***. As entrepreneurs can be found in any business or organisational fields, including not-for-profit organisations, profit creation is not a part of this definition.

After defining who is an entrepreneur, the research continued and defined the entrepreneurs' typology, accepting that found in the literature which states that there are six different types of entrepreneurs; nascent, novice, one-time, habitual, and serial and portfolio. The definitions of each type are:

- Nascent entrepreneurs are ***individuals who made their first step toward starting their first new venture in a mature business or as a new business***.

- Novice entrepreneurs are ***entrepreneurs who started their first venture in a mature business or as a new business***.
- One-time entrepreneurs are ***entrepreneurs who started their first venture and did not create other ventures***.
- Habitual entrepreneurs are ***entrepreneurs who start new ventures consistently***. ***They can start one venture at a time, or a number simultaneously***.
- Serial entrepreneurs ***are habitual entrepreneurs who create new ventures one at a time. This venture can be in a mature business or a new venture***.
- Portfolio entrepreneurs ***are habitual entrepreneurs who create, manage and / or lead new ventures simultaneously***.

The next chapter defines new venture and business failure, and explores the main reasons that cause business and new venture failure, as found in the academic literature. The chapter concludes by explaining the paradoxical nature of business failure, distinguishing between the failures of the entrepreneurs and that of their ventures.

Chapter 3 Business and New Venture Failure

"Failure is a phenomenon that ventures face during all stages of the life cycle and requires insight into its causes before it can be reversed" (Pretorius 2008: 408).

3.1 Introduction

There is no consensus in the academic literature on a definition of business and new venture failure (Pretorius 2009; Watson & Everett 1993). In addition, the attitude towards business failure is culturally based (Cave, Eccles & Rundle 2001; Landier 2005; Lee & Peterson 2000). While in the United States business failure is defined as a learning curve, and it is expected that novice entrepreneurs will fail in their first venture. In the United Kingdom and Japan, entrepreneurs who have failed are described as failed entrepreneurs (Landier 2005).

Therefore, the nature of the "failure paradox" is composed from three parts:

1. Lack of a common definition of business and new venture failure
2. Cultural base attitude toward business and new venture failure
3. Confusion between the failures of the entrepreneurs and of their ventures

The approach taken in this research to venture failure is based only on the entrepreneur's decision, regardless of the objective financial state of the new venture and business. The definition of new venture failure is related to "falling short of goals" and is described as "***the entrepreneur's dissatisfaction with the venture's progression***". This definition fits new ventures embedded in a mature business and new ventures that are the entire businesses (as in the case of start-ups).

The structure of this chapter is presented in Figure 3.1.

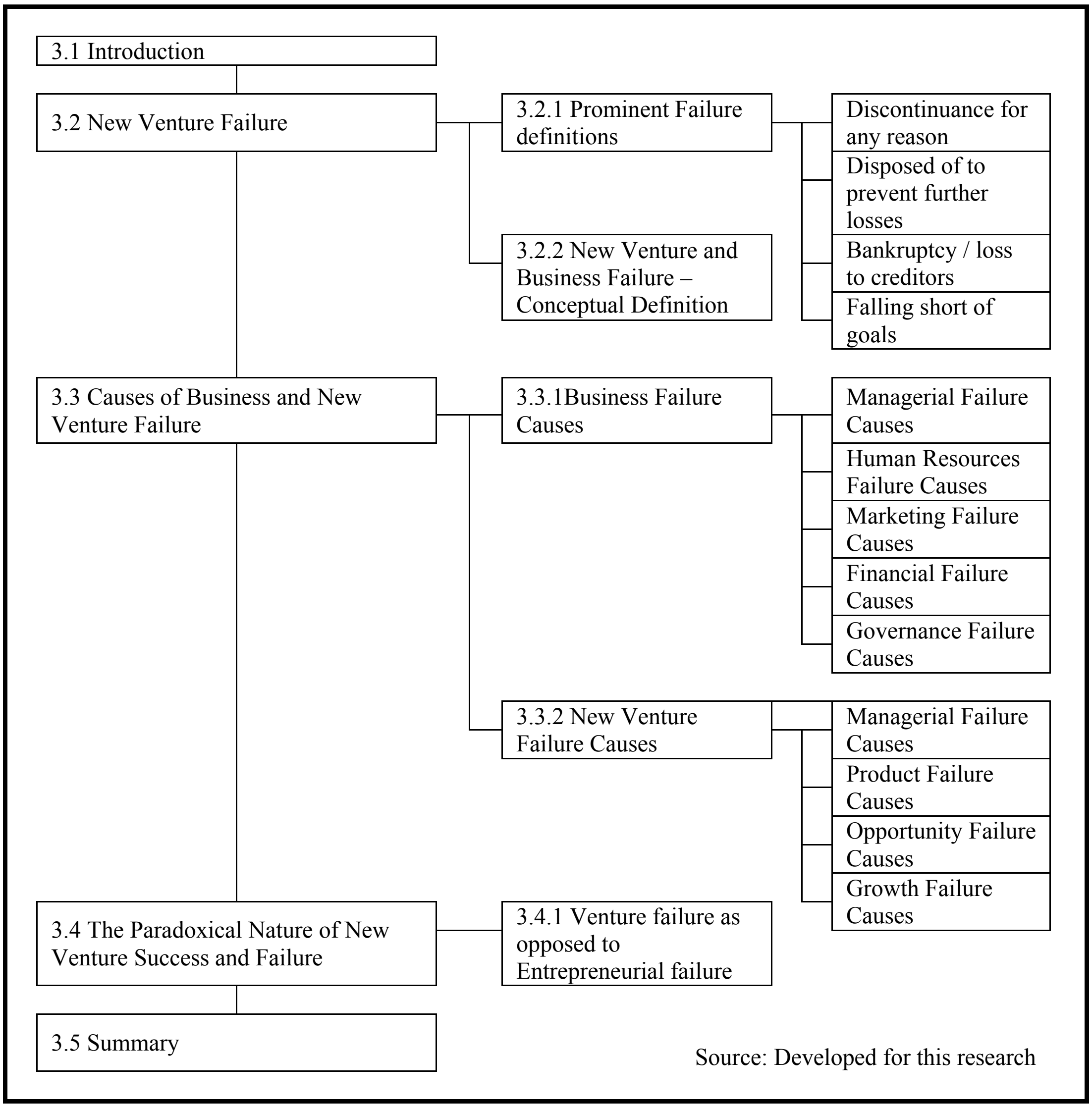
Section 3.2 – evaluates new venture and business failure. As this research approach to venture failure is based on the entrepreneur's decision lone, regardless of the objective state of the venture or business, it defines new venture failure as a consequence of falling short of goals, "***the entrepreneur's dissatisfaction with the venture's***

progression". Based on this definition, this study addresses all entrepreneurs as successful, emphasising that there are no failed entrepreneurs, only failed ventures.

Section 3.3 – summarises the causes of business and new venture failure. These causes are divided between those that can occur in any business, regardless its size or age, and those that are specific to new ventures.

Section 3.4 - examines the paradoxical nature of new venture failure and the importance of treating failure with a positive attitude that leads towards learning lessons from it, in order to have better chances of success in the next venture.

Figure 3-1: Entrepreneurship and New Venture Failure – Chapter Structure



3.2 New Venture and Business Failure

There is no consensus in the academic literature on a definition of business failure (Watson & Everett 1993). Researchers define failure as it fits their research question and the failure ratio they wish to indicate. Therefore, Pretorius (2009) suggests that there is a lack of comparability in research outcomes.

3.2.1 Prominent Failure Definitions

Watson and Everett (1993) summarised four main definitions of business failure; business discontinuance for any reason, disposed of to prevent further losses, bankruptcy and falling short of goals. They argued that the failure rates change according to the definition of failure between the two extremes – discontinued for any reason (highest failure rate) and bankruptcy (lowest failure rate), while dissolution to prevent further losses lies between the two. However, falling short of goals is outside this continuum, as it is defined by the entrepreneurs themselves and not by the authorities or any outside observer.

3.2.1.1 Discontinuance for Any Reason

Prominent names if the literature regarding discontinuance for any reason are Carter and Van-Auken (2006), Pretorius (2009), Richardson, Nwankwo and Richardson (1994), Rogoff, Lee and Suh (2004) and Watson and Everett (1993).

Table 3.1 summarises definitions of failure relevant to discontinuance for any reason, as found in the academic literature. Discontinuance of the business is the widest definition of business failure, as it includes all closures regardless of the reason for the closure. On the other hand, it is the most biased as it raises failure rates as well as new business creation rates. Any business that is sold to another owner is counted twice, once as a failed business (closed by old owners) and once again as a new business (for the new owners).

The argument in this thesis conforms with that advanced by Stokes and Blackburn (2002) and De Castro et al. (1997) who disagree with this definition and differentiate between business closure and business failure, emphasising that failure is only one of the business closure categories. Therefore, closure as an intended exit strategy, or any other deliberate process in which an entrepreneur deliberately engage in order to terminate an operative enterprise, should not be referred to as a failure (Liao 2004).

Table 3-1: Discontinuance of the Business for Any Reason

Definition \ Author (s)	Garrod and Miklius (1990)	Watson and Evert (1993)	Richardson, Nwankwo and Richardson (1994)	Rogoff, Lee and Suh (2004)	Carter and Van-Auken (2006)	Pretorius (2009)
Discontinuance of business	x	x	x	x	x	
Discontinuance of ownership	x	x				x

Furthermore, in research conducted by Bates (2005), 37.7% of entrepreneurs who closed these enterprises said that their businesses were successful and were only closed because a superior alternative had become available to them. When entrepreneurs close their ventures by selling them for profit, or because they want to retire, or they are sick or just simply see a better opportunity, the closure should not be considered as a failure.

3.2.1.2 Disposed Of to Prevent Further Losses

Prominent names in the literature regarding the disposal of businesses to prevent further losses are Carter and Van-Auken (2006) Cressy (2006), De Castro et al. (1997), Fredland and Morris (1976), Gaskill, Van-Auken and Manning (1993), Liao (2004), Shepherd (2003), Watson and Everett (1993), and Zacharakis, Meyer and DeCastro (1999).

Table 3.2 summarises failure definitions relevant to the disposal of businesses to prevent further losses, as found in the academic literature. This definition only takes into account businesses that have been closed for financial reasons, including bankruptcy. Therefore, if a business was sold or closed without losses it will not be counted as having failed.

Although it is more accurate than the first definition, the data needed for measuring the failure rate according to this definition may be hard to retrieve, as the companies may disappear after their failure without leaving any documentation. As such companies would not have been put through the process of insolvency, they will not appear in the National Personal Insolvency Index.

Table 3-2: Disposed Of to Prevent Further Losses

Author (s) / Definition	Fredland and Morris (1976)	Cochran (1981)	Gaskill, Van Auken and Manning (1993)	Watson and Evert (1993)	De Castro et al. (1997)	Zacharakis, Meyer and DeCastro (1999)	Shephered (2003)	Liao (2004)	Cressy (2006)	Carter and Van-Auken (2006)
Business liquidation to prevent further losses			x	x	x					x
The firm's value falls below the opportunity cost of staying in business	x				x		x		x	
Ventures that fail to provide an adequate return for the VCs						x				
A business that is not earning an adequate return		x						x		

Furthermore, not all of the entrepreneurs will provide details regarding their failures, especially if they became employees once again. Although this research is more in conformity with this definition, it is still defined by the organisation's stakeholders (creditors, banks, founders and so on) and not by the entrepreneurs themselves.

3.2.1.3 Bankruptcy

Prominent names in the literature regarding bankruptcy are Balcaen and Ooghe (2006), Carter and Van-Auken (2006), Fredland and Morris (1976), Pretorius (2009), Shepherd (2003), Thornhill and Amit (2003) Watson and Everett (1993), and Zacharakis, Meyer and DeCastro (1999).

Table 3.3 summarises failure definitions relevant to bankruptcy, as found in the academic literature. This is the narrowest definition. Although taking into account the problems of the first definition, for example, not counting sold businesses or those closed for any other reason as failed, it lacks utility as a definition because it does not count businesses that closed due to poor financial results, such as barely getting to break-even point, though not entering bankruptcy procedures.

Table 3-3: Bankruptcy / Loss to Creditors

Definition \ Author (s)	Fredland and Morris (1976)	Watson and Evert (1993)	Zacharakis, Meyer and DeCastro (1999)	Shephered (2003)	Thornhill and Amit (2003)	Balcaen and Ooghe (2006)	Carter and Van-Auken (2006)	Pretorius (2009)
Bankruptcy	x	x		x	x	x	x	x
Business turnover	x		x					

Although important, and the most objective definition, this thesis will not use bankruptcy as a definition of failure as bankruptcy is a dead-end for most companies and entrepreneurs. In Australia, after starting bankruptcy and insolvency procedures, entrepreneurs are not allowed to open a new business for three to eight years (AussieLegal 2009). Therefore, it might prevent entrepreneurs from continuing in their entrepreneurial careers.

3.2.1.4 Falling Short of Goals

Prominent names in the literature regarding a business or a new venture falling short of goals are Boden and Nucci (2000), Cannon and Edmondson (2005), Carter and Van-Auken (2006), Cochran (1981), Gulst and Maritz (2009b, 2010), McGrath (1999), McKenzie and Sud (2008), Sharma and Mahajan (1980) and Watson and Everett (1993).

Table 3.4 provides a summary of the definitions of failure relevant to falling short of goals, as found in the academic literature. This failure definition puts the entrepreneurs in the centre, and lets them decide if their ventures / businesses failed or succeeded, occasionally regardless of objective finance results. According to this definition, an enterprise that is willing to consider a low financial return as the price of staying in business is not a failed business. This is the most subjective definition and, therefore, the most problematic when trying to define it as a basic criterion for business failure. However, as the aim of this research is not to examine failure rates, but rather to understand how entrepreneurs understand and define failure, this definition is the most suitable for this research.

Table 3-4: Falling Short of Goals

Author (s) / Definition	Sharma and Mahaian (1980)	Cochran (1981)	Watson and Evert (1993)	McGrath (1999)	Boden and Nucci (2000)	Cannon and Edmondson (2005)	Carter and Van-Auken (2006)	McKenzie and Sud (2008)	Gulst and Maritz (2009b)	Gulst and Maritz (2010)
Failing to "make a go of it"		x	x				x			
A deviation from the entrepreneur’s desired expectations	x				x	x		x	x	
Falling short of goals				x						
The entrepreneur’s dissatisfaction with the venture’s progression										x

3.2.2 New Venture and Business Failure – Conceptual Definition

Watson and Evert (1993; 1999) argued that the failure rates are biased as a result of the definition of business failure, changing between the two extremes – discontinued for any reason (highest failure rate) and bankruptcy (lowest failure rate). However, the ambit of this thesis is not failure rates; rather it is understanding failure from the entrepreneurs’ and intrapreneurs’ points of view.

Hence, this research approach to venture failure is based solely on the entrepreneurs’ decision, regardless of the objective state of the new venture / business. Therefore, the definition of new venture failure is a nuance of “falling short of goals” and is described as “***the entrepreneur’s dissatisfaction with the venture’s progression***”.

This is the most appropriate definition of failure for this research as the unit of measure in the research are the entrepreneurs and not their businesses. This research seeks to provide an understanding of what the entrepreneurs learned from the ventures that failed from their perspective.

3.3 Causes of Business and New Venture Failure

Business failure is not a unique experience; it can happen for different reasons and to any business regardless of its age, size and field. The simplest way to define the causes of business failure is to state that the business failed as result of external factors or incompetent managers who dragged the business toward failure.

The academic literature separates business failure into two categories: endogenous causes (internal to the firm, presumably within its control) and exogenous causes (external to the firm, beyond its control). A different classification divides failure causes into five categories: Managerial, Human Resources, Finance, Marketing and Governance. Each of these categories includes internal and external causes.

3.3.1 Causes of Business Failure

This section expands and explains each failure category. These reasons are common, and can occur at any company. The emphasis in Section 3.3.2 will be on causes of new venture failure.

3.3.1.1 Managerial Failure Causes

Managerial and planning functions are comprehensive and include almost every aspect of the business; without them, no business old or new can succeed. This seems to be the most logical reason for failure. Table 3.5 provides a summary of managerial failure causes.

The most common managerial failure reasons, as found in the academic literature are:

1. Missing managerial skills and quality (Everett & Watson 1998; Gaskill, Van-Auken & Manning 1993; Ooghe & Projcker 2008; Stovall 2005; Zacharakis, Meyer & DeCastro 1999) – Many entrepreneurs are very good at finding opportunities and starting new ventures and businesses. However, as the business grows, higher levels of managerial skills are required. Maritz (2008)

emphasises that entrepreneurs manage opportunities while managers manage resources. Therefore, entrepreneurs may need to consider hiring experienced managers.

2. Poor management strategy (Connell et al. 2001; Gaskill, Van-Auken & Manning 1993; Rogoff, Lee & Suh 2004; Zacharakis, Meyer & DeCastro 1999) – Poor strategy will influence the entire organisation. Managers should identify a strategy that will drive the company toward success, stay focused and prevent shifting from it with any new idea and daily tasks.

Table 3-5: Summary of Managerial Failure Causes

Author (s) / Failure reasons	Gaskill, Van-Auken and Manning (1993)	Richardson, Nwankwo and Richardson (1994)	Everett and Watson (1998)	Zacharakis, Meyer and DeCastro (1999)	Connell et al. (2001)	Buckley and Close (2002)	Rogoff, Lee and Suh (2004)	Stovall (2005)	Carter and Van-Auken (2006)	Carter and Wilton (2006)	Seshadri (2007)	McKenzie and Sud (2008)
Poor Management Strategy	x			x	x	x	x					
Inappropriate management qualities and skills	x	x	x	x				x				
Management team		x			x				x			x
Lack of or poor business plan						x						
Control over costs, prices, distribution	x									x		
Leadership		x			x							
Key managers and employees take roles beyond their formal job descriptions											x	
Unawareness of environment change (mature companies only)		x										
Board – Entrepreneur relations		x										

3. Management team (Carter & Van-Auken 2006; Connell et al. 2001; McKenzie & Sud 2008) – The management team and the partners must work in one direction to ensure the success of the organisation. The management team should include members who will contribute to the organisation, and not merely be a

group of people who will approve any suggestion that the manager will make or will spend more time on arguments than on activities that will progress the venture.

3.3.1.2 Human Resource Failure Causes

The management team and the workers chosen for a new business are essential for its survival. Family members and friends, if not suitable or the job, can cause more damage to the business than they will provide help. Table 3.6 provides a summary of human resource failure causes.

Table 3-6: Summary of Human Resource Failure Causes

Failure reasons \ Author (s)	Zacharakis, Meyer and DeCastro (1999)	Rogoff, Lee and Suh (2004)	Cressy (2006)	Seshadri (2007)	McKenzie and Sud (2008)
Key people incompetent	x	x	x		
Partners				x	x

1. Choosing wrong partners (McKenzie & Sud 2008; Seshadri 2007) – Businesses can fail when partners have disagreements that prevent them from working together. In addition, a business can fail when one of the partners, although suitable for the job, is not free from early commitments or is not at the business when needed most.

2. Recruiting incompetent people such as family and friends or "yes people" who will approve any step the founder takes, instead of helping out can drag the business towards failure (Cressy 2006; Rogoff, Lee & Suh 2004; Zacharakis, Meyer & DeCastro 1999).

3.3.1.3 Marketing Failure Causes

Marketing causes contains internal and external failure reasons. The market is external to the business, and is very difficult to change or influence. Yet, for a business to succeed, it must have customers who will buy its products or services. Entrepreneurs must know how to manage marketing, find the correct market niche and understand market needs, as they are not always equivalent to what the entrepreneurs assume. Table 3.7 provides a summary of marketing failure causes as found in the academic literature

Table 3-7: Summary of Marketing Failure Causes

Failure reasons \ Author (s)	Gaskill, Van-Auken and Manning (1993)	Richardson, Nwankwo and Richardson (1994)	Everett and Watson (1998)	Zacharakis, Meyer and DeCastro (1999)	Buckley and Close (2002)	Rogoff, Lee and Suh (2004)	Stovall (2005)	Carter and Van-Auken (2006)	Mullins (2005)	Seshadri (2007)	McKenzie and Sud (2008)	Frederick and Kuratko (2010)
Unfocused market need					x	x	x		x			x
Poor external market conditions			x	x							x	
Poor supplier / vendor relations	x			x					x			
Market size					x						x	
Unknown customers					x				x			
Substitutes, alternatives, indirect competition					x	x						
inexperience	x				x							
limited or deteriorating markets								x				

The three most frequent marketing failure reasons that appeared in the research are:

1. Unfocused market needs (Frederick & Kuratko 2010; Mullins 2006; Rogoff, Lee & Suh 2004; Stovall 2005) – Entrepreneurs must assess whether or not there is a real demand to their product or service, as a new venture will survive only if a market exists for its product or service.

2. Poor external market conditions (Everett & Watson 1998; McKenzie & Sud 2008; Zacharakis, Meyer & DeCastro 1999) – Although an exogenous cause, entrepreneurs must take it into consideration when evaluating their business

opportunities. The market conditions are a known fact. Although entrepreneurs cannot change market conditions, they can change their targeted market.

3. Poor supplier / vendor relations (Gaskill, Van-Auken & Manning 1993; Mullins 2006; Zacharakis, Meyer & DeCastro 1999) – Poor supplier vendor relations are central concern mainly when the company starts manufacturing. As this stage comes before sales begin, it is important to have patient suppliers who will give better credit and allow the company to accumulate more debt.

3.3.1.4 Financial Failure Causes

Financial failure reasons are both internal and external to the business, and Table 3.8 presents a summary of those failure causes.

Table 3-8: Summary of Financial Failure Causes

Author (s) / Failure reasons	Gaskill, Van-Auken and Manning (1993)	Richardson, Nwankwo and Richardson (1994)	Everett and Watson (1998)	Zacharakis, Meyer and DeCastro (1999)	Rogoff, Lee and Suh (2004)	Stovall (2005)	Carter and Van-Auken (2006)	Carter and Wilton (2006)	Van-Auken et al. (2009)
Internal Causes									
Insufficient access to capital			x			x	x		x
Inappropriate use of financing	x	x						x	
Financial issues and excessive debt				x	x				
External Causes									
Changes in local economy					x				
High interest rates			x						
High level of overheads		x							
Weak finance function		x							

Pretorius (2009) suggests that financial failure causes are the result of bad management and business-related causes and not the cause for the business failure. Although the internal causes can be defined as related to managerial shortcomings, they are listed here as they concern financial decisions.

External failure causes such as high interest rates (Carter & Van-Auken 2006) and change in local economy (Rogoff, Lee & Suh 2004) can be causes of failure that entrepreneurs did not anticipate, yet they cannot be ignored as they can become killers of the business.

The three most common internal reasons for financial failure, as found in the academic literature, are:

1. Insufficient access to capital (Carter & Van-Auken 2006; Everett & Watson 1998; Stovall 2005; Van-Auken, Kaufmann & Herrmann 2009) – Having the correct amount at the proper time is essential. Therefore, a business has to be in debt. If the founders do not have access to capital, they will not have the ability to run their business.

2. Inappropriate use of financing (Carter & Wilton 2006; Gaskill, Van-Auken & Manning 1993) – After receiving an investment, entrepreneurs must use it properly and wisely, so that it will last long enough for the company to succeed, or at least until the next funding round. Richardson, Nwankwo and Richardson (1994) emphasise that entrepreneurs and managers, when their ventures start to rise and make a profit, become more concerned with adorning themselves to the way that "milk" the business they may drive it to bankruptcy.

3. Financial issues and excessive debt (Rogoff, Lee & Suh 2004; Zacharakis, Meyer & DeCastro 1999) – Without cash, no business can run. However, taking out several loans and making the bank or any other financial institution a creditor, without having the ability to pay the debts, will drive the business towards bankruptcy.

3.3.1.5 Governance Failure Causes

Governance failure causes are external causes. For small businesses, government regulation and availability of government funds are crucial. If a government is not "entrepreneur friendly", and will not help new businesses, it will be more difficult for the businesses to succeed. Such assistance could be provided through government loans that will allow entrepreneurs to borrow funds at in lower interest rates or other better conditions for funds and payments (Carter & Wilton 2006; Rogoff, Lee & Suh 2004). Table 3.9 provides a summary of governance failure causes as found in the literature.

Table 3-9: Summary of Governance Failure Causes

Author (s) / Failure reasons	Gaskill, Van-Auken and Manning (1993)	Everett and Watson (1998)	Connell et al. (2001)	Buckley and Close (2002)	Rogoff, Lee and Suh (2004)	Carter and Wilton (2006)	Cressy (2006)
External – environment	x	x	x	x			x
Government regulation and availability of government funds					x	x	

3.3.2 Causes of New Venture Failure

All the causes of failure mentioned above can occur in every business regardless its size, age and industry. However, when founding a venture that is not only new, but is also innovative and its product and service are new to the world, the failure rates grow and more reasons for failure appear. Furthermore, Amason, Shrader and Tompson (2006) emphasise that, by their very nature, all new ventures present some manner of innovation and, therefore, have a higher probability of failing.

As in the previous section, causes of failure were categorised. However, the categories are related to innovation.

3.3.2.1 Managerial Failure Causes

Although managerial failure causes were described in the previous section, these managerial causes are specific to new ventures. Table 3.10 contains a summary of managerial failure causes, as found in the academic literature.

Table 3-10: Summary of New Venture - Managerial Failure Causes

Author (s) / Failure reasons	Cooper, Woo and Dunkelberg (1988)	Richardson, Nwankwo and Richardson (1994)	Buckley and Close (2002)	Mitchell et al. (2004)	Rogoff, Lee and Suh (2004)	Thompson (2004)	Lee and Lee (2005)	Stovall (2005)	Arnason, Shrader and Tompson (2006)	Douglas (2006)	Hayward et al. (2006)	Pretorius (2009)
Lacking entrepreneurial characteristics		x			x	x		x				x
Risk-taking / Over-confidence / Over-optimistic	x	x					x			x	x	
Unrealistic revenue projection / under estimating difficulties	x		x							x	x	
Liability of newness			x						x			
Inexperience				x						x	x	
Founders "know everything"		x								x	x	
Need for achievement			x				x					
Unable to set and achieve milestones			x						x			
Novelty									x			
Leadership		x										x

The three most common managerial failure reasons, as found in the academic literature, are:

1. Lack of entrepreneurial characteristics– Thompson (2004), Rogoff, Lee and Suh (2004) and Stovall (2005) argue that, when added to other reasons for failure, an absence of entrepreneurial characteristics contributes to failure rates. They state that entrepreneurs with entrepreneurial characters are more likely to overcome problems, and succeed in their new ventures.

2. Over-confidence – Richardson, Nwankwo and Richardson (1994) stress that, when entrepreneurs become over-ambitious, they cease to believe in the existence of failure, and can actually drown their ventures. These entrepreneurs are over-ambitious; over-confident and over-optimistic, they do not accept advice, because they know it all.

Douglas (2006) emphasises that the over-confident entrepreneurs may see the most important thing as being first into the market. They would prefer not to 'spend money and time' on research and checks that will assure them of what they already know, if the results are in their favour or, in the worst case, as they see it, tell them that they should not start this venture.

The over-confidence and over-optimism of entrepreneurs are failure reasons that been identified by more researchers (Cooper, Woo & Dunkelberg 1988; Douglas 2006; Hayward, Shepherd & Griffin 2006; Lee & Lee 2005). They emphasise that self-confidence is important, whilst over-confidence can become a trigger for failure. On the one hand, without self-confidence, entrepreneurs will be more concerned when deciding to start a new venture, as they will see only the risks and the failure rate, not the chances and the opportunities.

On the other hand, over-confidence can make them under-estimate the difficulties associated with their business, thus causing them to fail to make the necessary preparations. They may further find it difficult to recognise problem areas, to make major changes or to appraise objectively whether or not to continue to make commitments.

Cooper et al. (1988) found that while the entrepreneurs find their own odds of achieving success very high (81% said their odds are 7 out of 10 or higher), the odds of achieving success they gave other businesses in their field were much lower (only 39% gave 7 out of 10 or higher). More than two-thirds (68%) of the entrepreneurs said that they are more likely to succeed than other businesses in their fields.

Furthermore, Cooper et al. (1988) emphasise that entrepreneurs who have already made the commitment to become business owners display a remarkable degree of optimism, and their perceptions of their own chances of success do not seem to be systematically related to factors that might be associated with success and failure.

3. Under-estimating difficulties – a different form of over-confidence is unrealistic revenue projection and underestimates of the venture’s financial requirements. Entrepreneurs are sure that the market is waiting for their novelty product, and the minute they will get there, they will sell the product with no difficulties and

will have a high turnover in a very short time (Buckley & Close 2002; Cooper, Woo & Dunkelberg 1988; Douglas 2006; Hayward, Shepherd & Griffin 2006).

3.3.2.2 Product Failure Causes

For new and novelty ventures, a new internal failure cause category arises, the product category. Table 3.11 provides a summary of product failure causes, as found in the academic literature.

Table 3-11: Summary of Product Failure Causes

Failure reasons \ Author (s)	Richardson, Nwankwo and Richardson (1994)	Zacharakis, Meyer and DeCastro (1999)	Buckley and Close (2002)	Rogoff, Lee and Suh (2004)	Lee and Lee (2005)	Amason, Shrader and Tompson (2006)	Morise et al (2007)	McKenzie and Sud (2008)
Novelty	x					x	x	
Poor product design		x	x					x
Product timing	x	x	x					
Lack of technical capabilities		x		x	x			
Failed Implementation		x						x
Lack of technology differentiation strategy			x		x			

As the product is new, and the company has no known reputation, the fight for survival grows more intense (Amason, Shrader & Tompson 2006; Buckley & Close 2002). Not only are the entrepreneurs trying to enter the market with a new product, but, being new themselves, they also need to invest more time, effort and funds on promotion and convincing potential customers that they will succeed and will be able to maintain the product in coming years. Furthermore, some of these novelty products may need the customer to change their existing behaviour. This, again, makes it problematic to convince customers that, although the company and the entrepreneurs may not have a reputation, they can be trusted and the potential customer should buy the product (Amason, Shrader & Tompson 2006).

The three most common managerial failure reasons, as found in the academic literature, are:

1. Novelty (Morse, Fowler & Lawrence 2007; Richardson, Nwankwo & Richardson 1994) – While small new businesses, which operate in a known field with known technology and known market strategies, can copy or learn from their competitors, the new venture with a novelty product needs to establish and create everything from scratch (Amason, Shrader & Tompson 2006). After successfully convincing the customer that the new venture and company can be trusted, the entrepreneur must take into consideration the time of entrance into the market.

2. Timing – This is essential for novelty products (Buckley & Close 2002; Zacharakis, Meyer & DeCastro 1999). It is true that being first in the market is not a guarantee of success, though missing the correct time to enter the market could cause failure. Wrong timing can constitute entering either too early or too late. When entering too early, the market may not be ready for the technology, e.g. using a product based on cellular technology (as in opening electronic gates with a cellular phone) before most of the population in the country had a mobile phone. On the other hand, arriving too late can cause financial loss, as the entrepreneur might miss the big money to be made of selling to the early adopters (Kotler & Keller 2008) and enjoying few months with less direct competition.

3. Product design – When trying to enter the market first, entrepreneurs may put less emphasis on product design (Buckley & Close 2002; McKenzie & Sud 2008; Zacharakis, Meyer & DeCastro 1999), and get out to the market with a poor and malfunctioning design. They may think that this is a Beta version of the product and that they will improve the next version, but meanwhile they ruin their chances of building a good reputation.

3.3.2.3 Opportunity Evaluation Causes

Before entrepreneurs start their ventures, they should ascertain whether or not their idea is a viable opportunity. An appropriate opportunity evaluation goes a long way towards the success of a new venture. The opportunity evaluation, when done properly, should evaluate most of the risk factors, including competitive advantage, market needs, partners and management team, competition, finance and strategic differentiation, as these are the main failure reasons of every company (Buckley & Close 2002; Douglas 2006; Hayward, Shepherd & Griffin 2006; Timmons & Spinelli 2009).

3.3.2.4 Growth Failure Causes

While the product is opportunistic and the customers are satisfied, rapid growth can get out of control; the new venture can receive a large order, but will not be able to produce it, as it does not have the facilities and / or resources at that time to undertake massive production. This can ruin the company's reputation, which can cause failure (Gaskill, Van-Auken & Manning 1993; Richardson, Nwankwo & Richardson 1994).

3.4 The Paradoxical Nature of New Venture Success and Failure

> *"To succeed, one first has to experience failure" (Timmons & Spinelli 2009: 104).*

The first intuitive feeling about business failure is that it is something to avoid. Utterances such as that found in the next citation express a common attitude towards business failure:

"In our culture, failure is anathema. We rarely hear about it, we never dwell on it and most of us do our best never to admit to it. Especially in organizations, failure is often simply not tolerated and people avoid being associated with failure of any kind" (Berg & Mirvis 1977).

On the other hand, failure is thought to be a good teacher, as is to be understood from the following citations:

"The process of learning from business failure also benefits society, through the application of that knowledge to subsequent businesses" (Shepherd 2003: 318).

As the attitude toward failure is ambivalent, entrepreneurs will not want their names connected to a failed venture, as there is a tendency to confuse failed ventures with failed entrepreneurs (Politis & Gabrielsson 2009; Sarasvathy & Menon 2003; Stokes & Blackburn 2002). Some researchers see failure from a positive point of view, as long as it is used as a learning stage for better performance in the future (Connell et al. 2001;

Knott & Posen 2005; Sitkin 1992). Others argue that, although the failure is a learning stage, organisations and entrepreneurs may find it a difficult way to learn (Cannon & Edmondson 2005) and may therefore discard it. Furthermore, the attitude toward business failure is marked by a clear geographical distinction. While in the United States, failure is taken as part of the entrepreneurs' learning curve, in Europe and Japan failure is seen as a negative outcome, and entrepreneurs will find it difficult to fund their next venture if they failed in the previous one (Landier 2005; Lee & Peterson 2000).

Cave, Eccles and Rundle (2001) researched the different attitudes between entrepreneurs who experienced failed ventures in the United Kingdom and in the United States. They found that in the United Kingdom, entrepreneurs admitted that the fear of failure had hindered their growth rate and that they took fewer risks, as it was difficult to remove the stigma of failure that became attached to the entrepreneurs who was associated with the venture's failure. Once more, the entrepreneurs felt that the failure of their venture was attached to them personally. In the United States, the entrepreneurs saw the failure as a learning process that helped them to become more resilient. The main difference between entrepreneurs from both countries lies in the cultures of the countries (Lee & Peterson 2000). Furthermore, as the attitude towards failure is negative, entrepreneurs will spend resources on avoiding failure instead of learning from the failure (McGrath 1999).

3.4.1 Venture Failure as Opposed to Entrepreneurial Failure

> *"Failure doesn't mean you are a failure, it just means you haven't succeeded yet" (Schuller 2006).*

A different part of the paradoxical nature of business failure is the confusion between entrepreneurs who closed their business and 'unsuccessful' entrepreneurs, or in other words, between venture failure and failed entrepreneurs (Sarasvathy & Menon 2003; Stokes & Blackburn 2002). When a venture fails, by any definition, the entrepreneurs must decide on their future: are they coping with the failure of the venture, learning from it and starting their next venture (McGrath 1999; Shepherd 2003; Singh, Corner & Pavlovich 2007), or do they abandon entrepreneurial activities and return to paid employment? Sarasvathy and Menon (2003) argue that the entrepreneurs who go back to paid employment are the only type who are considered to be failed entrepreneurs.

Furthermore, Bolton and Thompson's (2004) definition of entrepreneurs does not include these people as entrepreneurs at all. Sarasvathy and Menon (2003) argue that habitual entrepreneurs should never be considered as failed entrepreneurs, as they learn from their mistakes and start new and hopefully more successful ventures.

The attitude of a country towards business failure can be seen through its bankruptcy laws (Cave, Eccles & Rundle 2001). In Australia, bankruptcy is a stage that lasts between three and eight years (AussieLegal 2009). During this time, the entrepreneurs are not allowed to open any other business, though they may pay their debts using money they receive from relatives, and thereby shorten the insolvency period. Furthermore, after the bankruptcy period is over, the name of the entrepreneur stays in the National Personal Insolvency Index (NPII) database. A different approach towards bankruptcy is adopted in the United States. After declaring bankruptcy, the entrepreneurs may open their next venture and with the money they earn from it, pay the debts of the bankrupt venture (Legal Information Institute 2009). The differences between these two sets of laws may suggest a political and cultural attitude towards business failure.

This research accepts Sarasvathy and Menon's (2003) argument, and all habitual entrepreneurs, regardless of the country in which they create their ventures, are referred to as successful entrepreneurs who may have failed ventures in their history, but coped with them and opened new ventures. Furthermore, as these entrepreneurs experience the failure of their ventures, their experience may benefit nascent and novice entrepreneurs.

3.5 Summary

Taking the point of view of the entrepreneur, and based on the different business failure definitions in the literature, this thesis defines business failure as ***the entrepreneur's dissatisfaction with the venture's progression***. This definition suits both new venture failure and business failure.

After understanding who an entrepreneur is, what business and new venture failure is, and why entrepreneurs should be seen as successful, regardless of the results obtained by their ventures and businesses (with the exception of the one-time entrepreneurs), the research will continue by explaining the importance of entrepreneur's learning, and how entrepreneurs can learn and benefit from venture failure.

The paradoxical nature of new venture failure is culturally based. It is constructed from two attitudes; the first is the attitude towards the failure that can be positive or negative, and the second is the attitude towards the entrepreneurs, who are often treated as failed entrepreneurs even though their venture failed and not them.

This thesis suggests that new venture failure should be treated in a positive light, as part of the entrepreneur's learning curve. The next chapter deals with entrepreneurial learning, emphasising the importance of learning from failure.

This study combines two research fields: entrepreneurial learning and new venture failure. The next chapter will elaborate on entrepreneurial and intrapreneurial learning. It will conclude with the study's research questions and propositions.

Chapter 4 Entrepreneurial Learning

"The biggest job we have is to teach a newly hired employee how to fail intelligently. We have to train him to experiment over and over and to keep on trying and failing until he learns what will work" (Kettering 1958).

4.1 Introduction

Minniti and Bygrave (2001: 7) state that, "Entrepreneurship is a process of learning, and a theory of entrepreneurship requires a theory of learning". Therefore, this chapter elaborates on learning theories, focusing on entrepreneurial learning.

This chapter commences by explaining learning in general, differentiating between behavioural, cognitive and action learning. From the general perspective of learning, it focuses on entrepreneurial learning and the action learning style which is used by entrepreneurs, deliberately or not (Clarke et al. 2006).

Learning is defined in two different ways, as a change in behaviour (behaviourism approach) and as the creation of knowledge (cognitive approach). The research identifies learning as a combination of these two approaches, stating that learning is ***a creation of knowledge that leads to a behavioural change***.

The structure of this chapter is presented in Figure 4.1.

Section 4.2 – elaborates and compares three learning methods: behavioural learning, cognitive learning and experiential learning.

Section 4.3 – focuses on entrepreneurial learning, recognising that it can be understood in two ways, learning to behave as an entrepreneur and / or entrepreneurs' learning during their entrepreneurial careers (Rae & Carswell 2001). The section commences by explaining entrepreneurial learning, and continues by explaining the differences between entrepreneurs' learning, organisational learning and intrapreneurs' learning.

Section 4.4 – broadens the phenomena of experiential / action learning, emphasising on the difference between action learning in organisations and entrepreneurs' action learning.

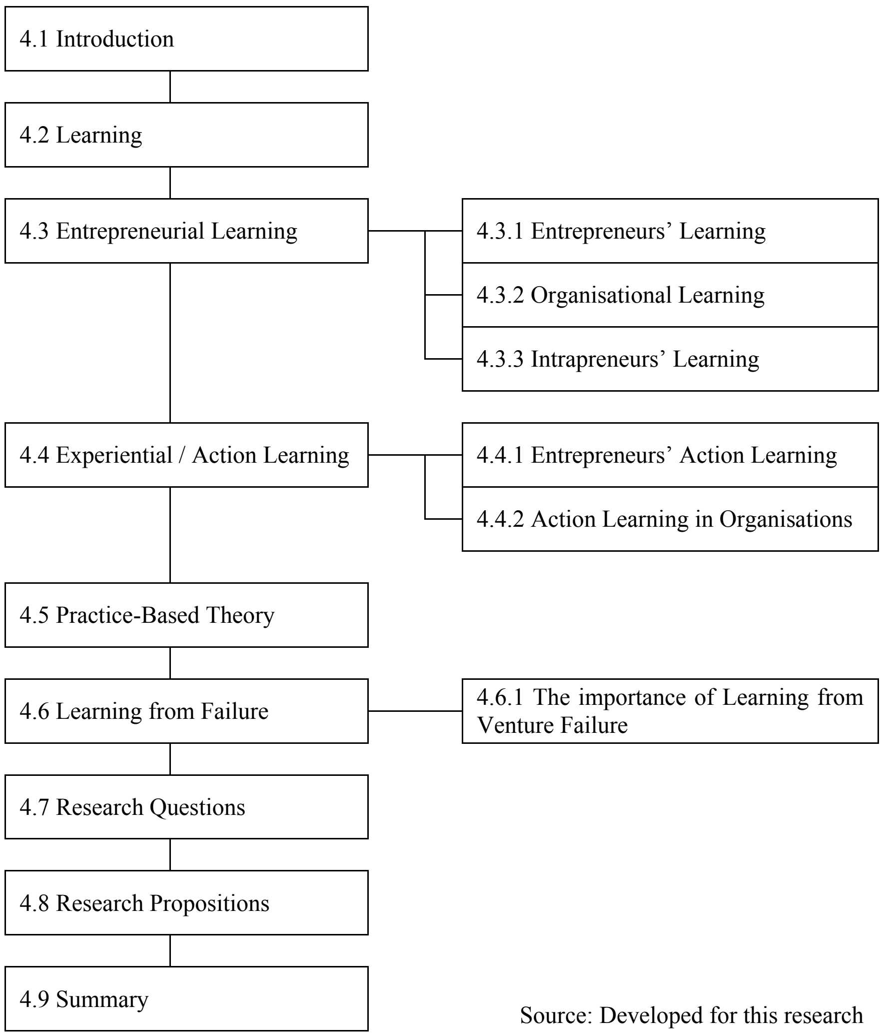
Section 4.5 – analysis suggests that entrepreneurs prefer practice to theory and explains how practice based theories can help entrepreneurial learning.

Section 4.6 – combines the two fields of this thesis, venture failure and learning. It stresses the importance of learning from venture failure by entrepreneurs, intrapreneurs and organisations.

Section 4.7 – presents this study's research questions.

Section 4.8 – as this research is qualitative, propositions are stated instead of hypotheses. This section states the research's propositions.

Figure 4-1: Entrepreneurial Learning - Chapter Structure



Source: Developed for this research

4.2 Learning

> *"We pay a heavy price for our fear of failure. It is a powerful obstacle to growth. It assures the progressive narrowing of the personality and prevents exploration and experimentation. There is no learning without some difficulty and fumbling. If you want to keep on learning, you must keep on risking failure—all your life" (Gardner 2010).*

Skinner (1953) defined learning as a change of behaviour, emphasising that improvement in performance may be regarded as training and not as learning. This definition was broadened by Huber (1991: 89), who emphasised that learning is seen when there is a potential for behavioural change: "an entity learns if, through its processing of information, the range of its potential behaviours is changed". Therefore, it is the process the entrepreneurs go through, and not its outcomes, that is important.

A very different approach to defining learning comes from the cognitive and experiential learning theories in which learning is defined as knowledge creation (Gibb 1997; Harrison & Leitch 2005; Kolb 1984). This definition is based on the works of John Dewey, Kurt Lewin and Jean Piaget from early in the 20th century (Kolb 1984). Section 4.3 explains experiential learning in more detail.

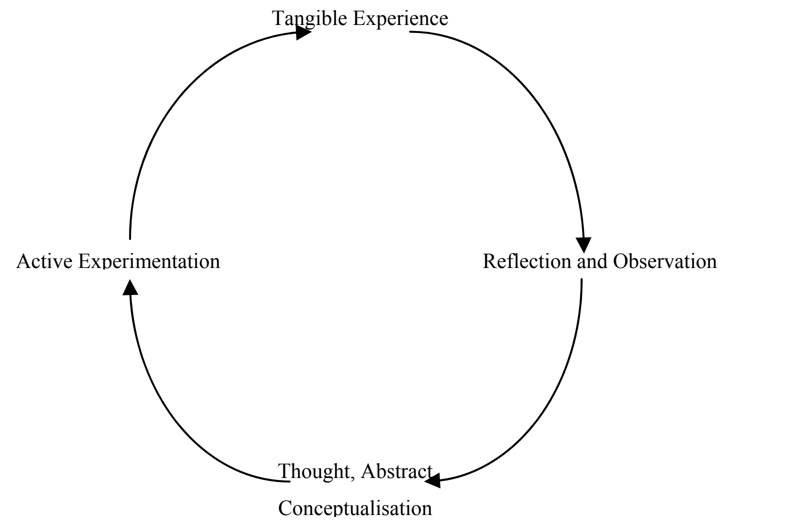
Corbett (2005) and Lumpkin (2005) categorised the main learning techniques:

1. Behavioural learning is the base of behaviourist philosophy. Learning is done by repeating rewarded behaviours and discarding punished behaviours. The learning is not voluntary, with no need to understand causes and consequence or any cognitive procedures (Starbuck & Hedberg 2001). It is based on trial and error, with the 'student' repeating successful behaviours and avoiding those that have failed (Rerup 2005; Sitkin 1992). However, paradoxically, by repeating successes and disposing of failed behaviours, rather than changing them, the opposite outcome might be achieved. It may cause over-confidence, and prevent the entrepreneurs from adapting to change. Furthermore, entrepreneurs may use the same successful process in new and different situations and then fail. Entrepreneurs do not learn from repeating their successful actions, and may even have more chances to fail in the future than if they had reflected on their failed

actions and learned from their mistakes (Baumard & Starbuck 2005; McGrath 1999).

2. Cognitive learning focuses on the content of the learning and the knowledge that the firm / entrepreneur acquires, as well as the utilisation of this knowledge to

Figure 4-2: Cognitive Learning cycle



Source: Adapted from Corbett, (2005) and Kolb (1984)

improve creativity, opportunity recognition and other types of performance. Cognitive learning involves tangible experience, reflection and observation, abstract conceptualisation and active experimentation, as shown in Figure 4.2. These four stages create a learning circle that continues endlessly (Corbett 2005; Mitchell et al. 2002). Kolb (1984) emphasises that people learn best when they can cycle through all four forms of learning as suggested in Figure 4.2.

a. Active Experimentation – The cognitive learning process starts with active experimentation. This can be done in a laboratory or in a business (Corbett 2005; Kolb 1984).

b. Tangible experience – The next stage in the cognitive learning process is gaining experience from the learner's actions. This experience is tangible and concrete which aims to validate and test abstract concepts.

Immediate personal experience is the aim of the experiential learning process (Corbett 2005; Kolb 1984).

c. Reflection and observation – The cognitive learning process continues with the collection and analysis of data gained in the experiential stage. The reflection and observations result in feedback that provides the basis for the continuation of the learning cycle (Corbett 2005; Kolb 1984).

d. Thought, abstract conceptualisation – The feedback gained in the former stage is reflected in this stage. The aim of this stage is to conceptualise the feedback into a new experiment (Corbett 2005; Kolb 1984).

3. Experiential learning, also referred as situative or action learning (Corbett 2005; Lumpkin 2005), is an aspect of cognitive learning focusing on real time learning. Therefore, the experiential learning cycle is identical to the cognitive learning cycle (Kolb, Boyatzis & Mainemelis 2000; Marquardt et al. 2009). Action learning is defined as "a process and a powerful program that involves a small group of people solving real problems while at the same time focusing on what they are learning and how their learning can benefit each group member and the organization as a whole" (Marquardt & Revans 1999). The foundations of action learning are individuals sharing experiences with others. Entrepreneurial action learning includes recognising and acting on opportunities and interacting socially to initiate, organise and manage ventures (Rae 2005), as shown in Figure 4.2. Action learning emphasises that the important aspect of the learning is the process and not the outcomes. However, to be considered as a learning process it must create new knowledge (Kolb 1984; Marquardt et al. 2009). Section 4.4 elaborates on experiential / action learning.

Table 4.1 provides a summary of the main differences between these learning techniques.

The distinction between behavioural learning and cognitive learning can be seen as artificial, with learning being a combination of all of these techniques (Starbuck & Hedberg 2001). Learning is done by experimenting (action learning), reflecting on the outcomes of actions (cognitive learning), and changing behaviour to adjust actions to achieve a preferred outcome (behavioural learning).

Table 4-1: Tasks and Environment of Different Learning Techniques

Behavioural Learning	
Definition	Based on behaviourist philosophy; therefore, it is based on trial and error, by repeating successful behaviours and avoiding those which have led to failure.
Emphasis	Making associations, new skills.
Task	Behavioural learning involves learning to make associations and learning new skills.
Environment	Behavioural learning works best in an environment that is well organised and in which there is a routine to follow.
Note	Behavioural learning includes clear goals, feedback and reinforcement.
Learner type	Mechanistic learner.
Cognitive Learning	
Definition	The focus is on the content of the learning and the knowledge that the firm / entrepreneur requires, and the utilisation of this knowledge to improve creativity, opportunity recognition and other types of performance.
Emphasis	Reasoning, problem solving, and planning.
Task	Cognitive learning involves the tasks of reasoning, problem solving, and planning. It often involves reorganisation of concepts already in the individuals understanding.
Environment	Cognitive learning works best in an environment that fosters an understanding of concepts and principles, and one that makes use of reasoning and problem solving skills.
Note	Cognitive learning is an active process of construction rather than a passive assimilation of information or rote memorisation. Ability grows out of intellectual activity, not absorption.
Learner type	Analytic learner.
Situative Experiential /Action Learning	
Definition	Learning is a process whereby knowledge is created through the transformation of experience.
Emphasis	Interaction with others, learning by participating.
Task	Situative / action learning occurs through active participation in group activities. Learning is the strengthening of those practices through interaction with others.
Environment	Situative/action learning occurs in an environment when individuals participate with others in social / group settings to foster confidence in their learning.
Note	Learning often occurs through interaction between people of different social or cultural backgrounds.
Learner type	Analytic learner.

Source: Adapted from Corbett (2005), Kolb (1984), Lumpkin (2005) and Starbuck and Hedberg (2001)

Mumford (2002: 4) defined learning as “When people can demonstrate that they know something that they didn't know before (insights and realisations as well as facts) and / or when they can do something they couldn't do before (skills)”, emphasising the importance of the outcome of the learning process. This definition is in conformity with those of Kolb (1984), Marquardt et al. (2009) and Rae and Carswell (2001), who emphasise that there is no significant learning without outcomes.

4.3 Entrepreneurial Learning

"When you read and are taught, you gain knowledge; when you take action, you gain experience; when you reflect, you gain an understanding of both. — Anonymous" (Marquardt & Revans 1999).

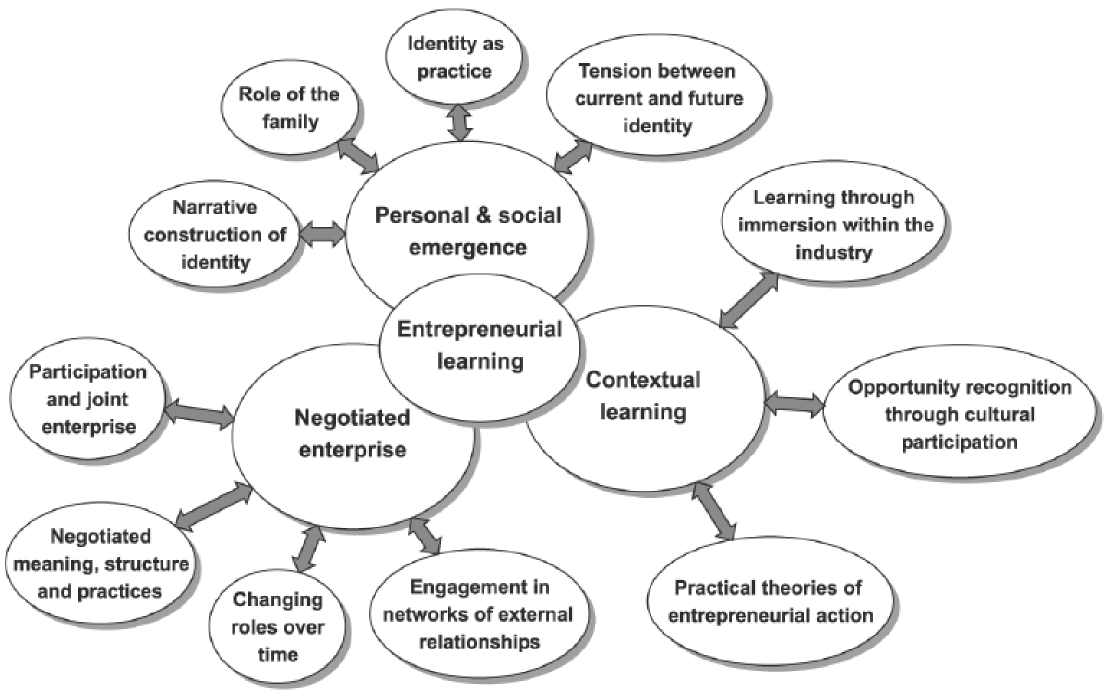
Entrepreneurial learning can be understood in two ways, learning to behave as an entrepreneur and / or entrepreneurs' learning during their entrepreneurial career (Rae & Carswell 2001). This section explains the concept of learning to become entrepreneurs, while Section 4.3.1 commences with a definition of entrepreneurs' learning and concludes by explaining the concept of entrepreneurs' learning.

Two historical approaches to entrepreneurship are the economic and the psychological (traits). These approaches are static and do not posit that entrepreneurs can learn and change their behaviours regardless of the result of their actions (Deakins & Freel 1998). However, more modern approaches view entrepreneurship as a learning process, believing that entrepreneurs learn with each action they take or decision they make, based on their former knowledge base combined with new experiences (for example: Deakins & Freel 1998; Minniti & Bygrave 2001; Politis 2008).

Rae (2005) emphasises that learning and entrepreneurship are both inherently constructivist, behavioural and social processes. He sees the term "entrepreneurial learning" as learning to recognise and act on opportunities and networking socially to initiate and manage new ventures. This learning must be active and related to the venture and the entrepreneurs' necessities rather than educational and formal (Rae 2005). Figure 4.3 shows Rae's triadic model of entrepreneurial learning. The three dimensions of entrepreneurial learning are personal and social emergence, contextual learning and negotiated enterprise (Rae 2005).

1. Personal and social emergence – This is the development of entrepreneur identity. This may start from the person's childhood and family experiences, continuing through education and career formation, including social and networking relationships (Rae 2005).

Figure 4-3: Rae's Triadic Model of Entrepreneurial Learning



Source: Rae (2005: 326)

2. Contextual learning – This occurs through relevant networking. Through these networks may be generated situated experience and relationships that can help a person develop the ability to recognise opportunities and intuition (Rae 2005).

3. Negotiated enterprise – this is the complex of negotiations and relationships that develop between the people managing and running the venture and / or the organisation (Rae 2005).

The combination of these three dimensions creates a tripod that is the basis for entrepreneurial learning.

4.3.1 Entrepreneurs' Learning

Cope (2005: 374) describes entrepreneurs' learning as "learning experienced by entrepreneurs during the creation and development of a small enterprise, rather than a particular style or form of learning that could be described as 'entrepreneurial'". While accepting this definition, it is argued by this researcher that experience can come from any venture creation, and not only ventures that create new enterprises.

Most researchers agree that entrepreneurs' learning is a process of converting experience into knowledge, or just gaining knowledge, as depicted in Table 4.2. This researcher accepts the general definition that entrepreneurs' learning is a process of changing experience to knowledge.

Entrepreneurs prefer practice to theory, a phenomenon that influences their learning styles (Rae 2004a). Learning is achieved while creating and managing new ventures rather than in formal classes. It does not follow a planned structure, being done in real-time through the experiences acquired and reactions to changes, incidents and problems that are encountered (Deakins & Freel 1998; Rae 2004a, 2005). It is suggested that entrepreneurs learn by exploiting and exploring their experience and knowledge. They may exploit their experience by replicating more or less successful actions, or exploring new actions when their action failed or when they do not have experience in the subject (Minniti & Bygrave 2001; Politis & Gabrielsson 2009).

In addition to learning from their own experiences, entrepreneurs learn by observing the actions of others, retaining the information, assimilating it in their memories and relating it to their own situations. This type of knowledge can act as a template for evaluating their own actions (Holcomb et al. 2009). Therefore, entrepreneurs' learning is defined as ***the creation of knowledge that leads to behavioural change***.

It is important to emphasise that, although learning may occur unintentionally, entrepreneurs will benefit from it if they are aware of the learning and do it intentionally; otherwise, they may not learn or change their actions and behaviours because of their experience (Clarke et al. 2006; Dixon 1999; Huber 1991; Rae & Carswell 2001). Furthermore, if learning is done unintentionally, organisations may fail to acknowledge that learning has occurred and, therefore, be incapable of recognising any contribution or constraint that may rise from it. This learning will be unreflective and will not help to advance the organisation. The learning will stay "adaptive", i.e. changing in response to circumstances, rather than "generative", i.e. developing new ways of performance (Clarke et al. 2006).

Table 4-2: Entrepreneurs' Learning Definitions

	Kolb (1984)	Cohen and Levinthal (1989)	Huber (1991)	Gibb (1997)	Deakins and Freel (1998)	Minnity and Bygrave (2001)	Rae and Carswell, (2001)	Mainemelis, Boyatzis, and Kolb, (2002)	Baurmad and Starbuck (2005)	Cope (2005)	Corbett (2005)	Harrison and Leitch (2005)	Politis (2005)	Rae (2005)	Rerup (2005)	Schildt, Maula and Keil (2005)	Pittaway and Cope (2007)	Wang (2008)	Chandler and Lyon (2009)	Holcomb, Ireland, Holmes and Hitt (2009)	Politis and Gabrielsson (2009)
The process of changing experience into knowledge.	X							X			X		X								X
Acquire new knowledge, including skills and specific competencies.				X														X	X		
Updating a subjective stock of knowledge accumulated on the basis of experiences.		X				X															
A potential for behavioural change.			X																		
Knowledge creation.												X									
Making meaning from experience.							X														
Constructing meaning through contextual experience to create new reality.														X							
Search for new technological and business opportunities and ways to capture those opportunities with adaptive and more risk-averse learning that leverages existing knowledge.																X					
The process of repeating what they do well and learn from failure by changing or abandon what they did poorly.															X						
Learning experienced by entrepreneurs during the creation and development of a small enterprise.										X											
A combination of knowledge and reaction to critical events.					X																
The process by which entrepreneurs acquire knowledge from direct experience and from observing the behaviours, actions and consequences of others.																				X	
Learning that occurs during the new venture creation process.																	X				

4.3.2 Organisational Learning

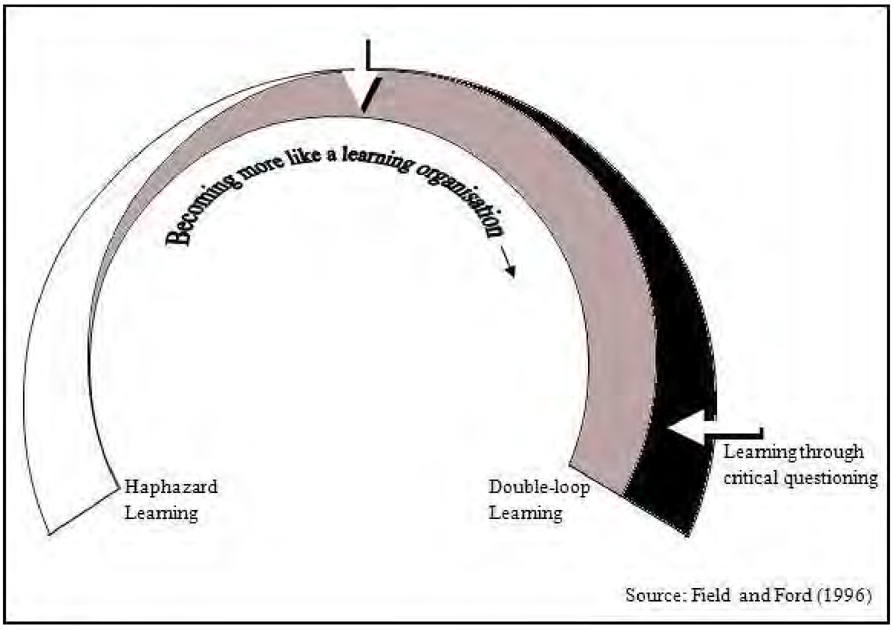
Dixon (1999: 6) defined organisational learning as “the intentional use of learning processes at the individual, group and system level to continuously transform the organisation in a direction that is increasingly satisfying to its stakeholders”.

Organisational learning is the process through which individuals in an organisation gain new knowledge and understanding or correct their understanding of a problem in the organisation. It is not merely the accumulated knowledge of an organisation. As it includes gaining knowledge, it is a dynamic process that needs continuously reflection in order to create new knowledge (Dixon 1999). Argyris (1999) emphasises that learning occurs under two conditions:

1. When an organisation achieves what it intended.
2. When a mismatch between intentions and outcomes is identified and corrected.

Organisational learning is based on individuals learning in the organisation. However, only integration between individuals’ learning and organisational learning makes the organisation a learning organisation (Wang & Ahmed 2003). Furthermore, Argyris (1999) stresses that organisations do not perform the actions that lead to learning. Rather, it is the individuals within the organisation who lead the learning.

Figure 4-4: The Organisational Learning Continuum



Learning takes place in every organisation, regardless of whether is done intentionally or unintentionally. Figure 4.4 identifies three different types of organisational learning, as suggested by Field and Ford (1996):

1. Haphazard learning – This is unintentional learning, without defined goals. In this type of learning, employees learn through their own experience, without sharing it with the organisation. Sometimes it will harm the organisation instead of help it (Field & Ford 1996). This is an informal type of learning, which may create a paradoxical situation of individuals learning to manage the organisations through everyday practice instead of acknowledging that learning had occurred. This learning is unreflective, and so consequently fails to move the organisation forward (Clarke et al. 2006).

2. Goal-based learning – This is learning toward goals in all levels of the enterprise, individuals, groups and the organisation. Once goals are established, each level will try to achieve them using a feedback mechanism that indicates progress (Field & Ford 1996). Goal-based learning targets improving narrow processes and are good for the short-term. However, for the long-term, an organisation should use a learning technique with a broader understanding of policy choice and effectiveness, such as double-loop learning (Moynihan 2005).

3. Double-loop learning – This is learning by questioning results and revisiting the organisation's goals, missions and strategies (Moynihan 2005). It occurs when mismatches in the organisation are corrected by first examining and altering the governing variables, and then acting in accordance with the lessons learned to achieve the suggested solutions (Argyris 1999).

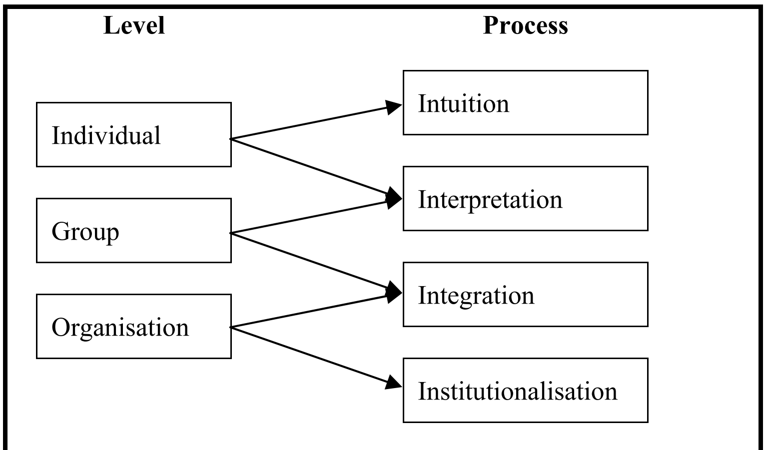
These learning types are located along a continuum and, as the organisation learns more about organisational learning, it progresses along this continuum. To become a learning organisation, the organisation must go along the entire continuum, from haphazard learning, through goal decisions moving toward double-loop learning (Field & Ford 1996).

As mentioned previously, organisational learning occurs at three levels: individual, group and organisation. Crossan, Lane and White (1999) emphasise that learning is based on the 'four I' process framework: intuition, interpretation, integration and institutionalisation. The combination of the four processes and the three levels of learners define the level of organisational learning. Intuition and interpretation occur at the individual level, integration at the group level and integration and institutionalise occur at the organisational level (Crossan, Lane & White 1999).

Figure 4.5 illustrates the processes that each level uses as part of organisational learning.

Intuition is the recognition of problems and the suggestion of first solutions based on personal experience. This process is engaged in only by individuals, as a group or an organisation cannot gain intuition (Crossan, Lane & White 1999). Interpretation is the process of explaining the insights and ideas that can be applied to solve the problem. Either individuals or groups can engage in this process, though the action learning technique suggests that it is best conducted in a group (Crossan, Lane & White 1999; Marquardt et al. 2009).

Figure 4-5: Organisational Learning process



Source: adapted from Crossan el al (1999) and Marquardt et al (2009)

Integration is the process of developing understanding of the problem and finding an agreed solution. For successful organisational learning, this process is conducted by the group level. However, Crossan, Lane and White (1999) suggest that it may occur at the organisation level as well. The final process is institutionalisation, which is the process of ensuring that, as a result of the three earlier processes, actions will occur. This process has to occur at the organisational level, as it influences the entire organisation

(Crossan, Lane & White 1999). Furthermore, it is suggested that there is no learning without the execution of a suggested action plan (Argyris 1999; Marquardt et al. 2009).

These connections between levels and processes correspond with action learning as explained in Section 4.4.1.

4.3.3 Intrapreneurs' Learning

As mentioned above, organisations cannot learn, it is the employees within the organisations who learn. The employees who learn for the purpose of creating or improving products and / or services are identified as intrapreneurs (Bamber et al. 2002).

Intrapreneurs will learn in ways similar to entrepreneurs. However, they tend to utilise learning strategies that favour processes dependent on pre-existing organisational structures, focusing on organisational consensus. The main difference between intrapreneurs' learning and entrepreneurs' learning is the learning style. While intrapreneurs tend to use group learning from the organisation, entrepreneurs will learn mostly alone or with their venture's co-founders (Honig 2001).

4.4 Experiential / Action Learning

> *As an inventor, Thomas Edison made 1,000 unsuccessful attempts at inventing the light bulb. When a reporter asked, 'How did it feel to fail 1,000 times?' Edison replied, 'I didn't fail a thousand times. The light bulb was an invention with 1,000 steps' (Alarr 2010).*

The foundations of the contemporary approach to experiential learning are the works of John Dewey (philosophical pragmatism), Kurt Lewin (social psychology) and Jean Piaget (cognitive-developmentalism) (Kolb 1984). The name of the learning method emphasises the central role experience has in learning.

Experiential learning theory defines learning as "the process whereby knowledge is created through the transformation of experience. Knowledge results from the combination of grasping and transforming experience" (Kolb 1984: 41). Corbett (2007: 474) agrees with Kolb, and defines entrepreneurial learning as a "integrative perspective that combines the constructs of previous knowledge, perception, cognition, and experience". However, Zhang, Macpherson and Jones (2006) emphasise that experience learning focuses on learning from "first hand" experience and is used by managements that do not encourage information searching or knowledge sharing. They see it in a negative light, suggesting that it appears mainly in mature organisations that find it difficult to adjust to environmental changes. Furthermore, they emphasise that innovative organisations will prefer information research to experiential learning. This is at variance with many others who emphasise that entrepreneurs prefer to learn from experience (for example Kolb, Boyatzis & Mainemelis 2000; Politis & Gabrielsson 2009; Rae 2004b), and in opposition to the understanding of this study.

The main characteristics of experiential learning, as suggested by Kolb (1984), are:

1. Emphasising the process of adaptation and learning as opposed to content or outcomes. By emphasising the processes instead of the outcomes, experiential learning distinguishes itself from behavioural learning. Furthermore, when learning from outcomes, the new knowledge represents only historical records. Therefore, experiential learning defines that approach as non-learning (Kolb 1984).

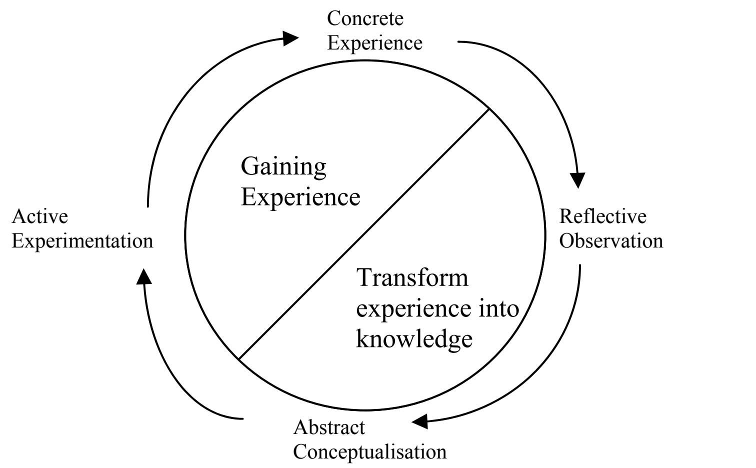
2. Knowledge is a transformation process, being continuously created and recreated, not an independent entity to be acquired. Learning is an endless process (as described in Figure 4.6), during which entrepreneurs experiment (act), observe and reflect, develop abstract concepts and generalise them, decide on future action and start all over again. Therefore, knowledge is seen to be created continuously (Kolb 1984; MacMamara & Weekes 1982).

3. Learning transforms experience in both its objective and subjective forms. In this context, 'objective' means the environmental experience and 'subjective' means the entrepreneur's internal state. Each experiment the entrepreneur makes affects the environment as much as the entrepreneur does. Therefore, in their subsequent experiments (or actions), this change will influence their decisions.

The experimental learning model includes two modes; grasping experience and transforming experience into knowledge. Each mode contains two stages, as shown in Figure 4.6. The concrete experience is the base for reflective observation.

This reflection assimilates and distils experience and observation into abstract concepts that suggest new implications that will be experimented and new tangible experience is created. The active experimentation and the concrete experience are aspects of grasping experience, while reflection and conceptualisation transform the experience into knowledge (Kolb, Boyatzis & Mainemelis 2000).

Figure 4-6: Experiential Learning Cycle



Adopted from: Kolb, Boyatzis and Mainemelis (2000)

The Experiential Learning Theory is a multidiscipline theory that extends beyond the educational field. It can be used as a basic learning tool in different levels of schools (from primary schools all the way to post-graduate institutions). For example, the Master of Entrepreneurship and Innovation at the Australian Graduate School of Entrepreneurship is based upon such experiential learning, adopting a theory for practical application (Maritz 2009).

Furthermore, in any business field, be it accounting, medicine, Information Technology or psychology, the use of and research into experiential learning has grown in the last decade (Kolb, Boyatzis & Mainemelis 2000).

Experiential learning is posited to be the preferred learning style of entrepreneurs and managers (Kolb, Boyatzis & Mainemelis 2000; Politis & Gabrielsson 2009).

4.4.1 Entrepreneurs' Action Learning

Action learning concepts were originally developed as a method of combining theory and practice in the entrepreneurial learning style. It focuses on moment-to-moment practice, connecting between "espoused theory" and "theory in practice". In other words, the difference between what the entrepreneurs say they do and what they actually do (Harrison & Leitch 2005; Lumpkin 2005).

Action learning (also described as situative learning) is a process that involves small groups of people solving real problems, while at the same time focusing on what they are learning and how their learning can benefit each group member and the organisation as a whole (Marquardt & Revans 1999). That is, action learning involves action and reflection on that action. The learning is done in small groups, as it must include a phase of discussion as part of the reflection.

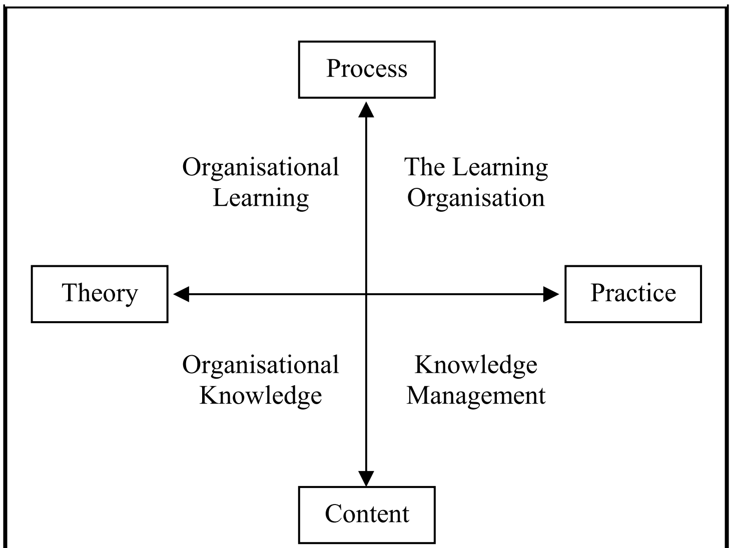
One of the main elements of action learning is social and team work. Action learning cannot take place without people reflecting as a group on the actions and their outcomes. The action and the reflection are done in small groups from the entrepreneurs' networks, insiders and outsiders of the ventures. An accepted facilitator, usually the venture's manager, facilitates these groups. Because of this type of learning, opportunities are created to learn from mistakes and to grow both the business and the individual people (Clarke et al. 2006; MacMamara & Weekes 1982; Pittaway & Cope 2007).

4.4.2 Action Learning in Organisations

The concept of a learning organisation can be divided into two parts, organisational learning and knowledge management (Harrison & Leitch 2005). Organisational learning is a continuum between theory (as preferred by academics) and practice (as entrepreneurs and intrapreneurs would prefer). The more the learning is practical, the more the organisation can be described as a learning organisation. The outcome of learning is knowledge; once again, it can be set on a continuum between content and process. The learning organisation which one that knows how to learn in a practical way and create processes from the acquired knowledge (Harrison & Leitch 2005). Figure 4.7 maps organisational learning.

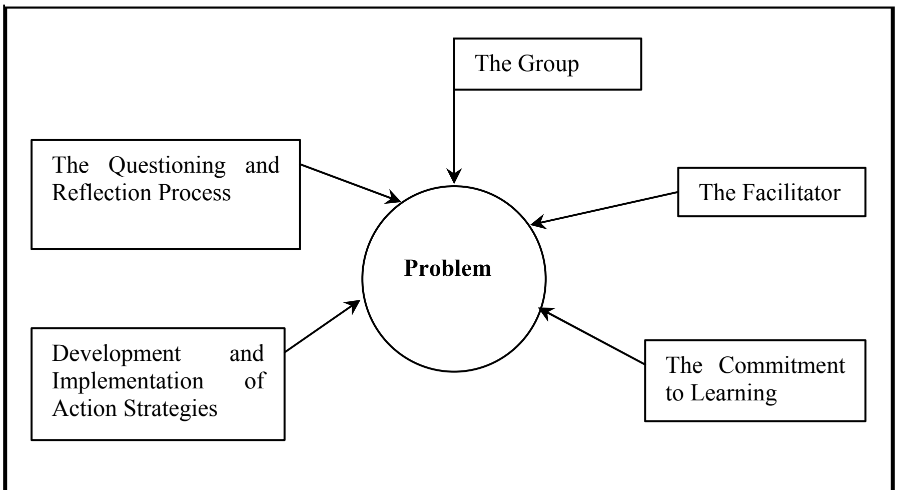
As organisations' learning is based on the learning of their employees (the intrapreneurs in the organisations), it is suggested that practical learning is obtained by action learning, as it is for entrepreneurs. Figure 4.8 shows the six essential elements of organisational action learning.

Figure 4-7: Organisational Learning Landscape



Source: Harrison and Leitch (2005)

Figure 4-8: Essential Elements of Action Learning



Adapted from: Marquardt and Revans (1999) and Marquardt et al (2009)

1. The Problem – This is the situation the action-learning group wants to solve, also described as the project. This project that the organisation needs to solve must be feasible and real (Marquardt et al. 2009; Marquardt & Revans 1999).

2. The Group – This is usually built from four to eight individuals and is the core of the action learning. In order to improve performance, the group members must be from diverse areas of expertise. However, the members must feel free to share their opinions and challenge others in the group (Marquardt et al. 2009; Marquardt & Revans 1999).

3. The Facilitator – This individual takes a managerial position in the group. The facilitator's roles may include coordinating, catalysing (moving people to an analytical mode of behaviour), observing and coaching other members in learning. The role of facilitator is important as its primary function is to make sure that the group will work effectively and solve problems (Marquardt et al. 2009; Marquardt & Revans 1999).

4. The Commitment to Learning – The group members must have responsibility for carrying out their ideas and conclusions from the reflection and learning activities they preformed. Without the implementation of the recommendations, there is no evidence of the learning done by the group (Marquardt et al. 2009; Marquardt & Revans 1999).

5. The Questioning and Reflection Process – Action learning emphasises the question and not the answers; by asking the right question, it is possible to reflect more deeply on the problem. Marquardt et al. (2009: 26) emphasises that "great solutions are contained within the seeds of great questions" (Marquardt et al. 2009; Marquardt & Revans 1999).

6. Development and Implementation of Action Strategies – The group must be able to develop and implement solutions, as there is no meaningful learning without execution (Marquardt et al. 2009; Marquardt & Revans 1999).

Learning in an organisation must start at the managerial level and create an organisational culture that will allow learning from successes as well as from failures (Cannon & Edmondson 2005).

4.5 Practice-Based Theory

Practice-based theories are the outcome of entrepreneurs', intrapreneurs' and organisational learning. Rae (2004b) states that entrepreneurs and intrapreneurs prefer practice to theory. He prefers the use of the term "practice-based theory" to that of "practical theory", as practical theories are rephrased in the researchers' words and are removed from their context. Practice-based theory provides an understanding of not only "what works" or what happens, but goes beyond this, looking at: why it works or occurs; how it works; with and for whom it works; the conditions within which it works; and the boundaries or limitations beyond which it is not known to or does not occur. Marshall reinforces the importance of practice-based theories, saying that "its strength is that they strive to offer an holistic understanding of knowing and learning as dynamic, emergent, social accomplishments that are actively situated within specific contexts of practice" (Marshall 2008: 418).

In entrepreneurship, practice-based theory manifests itself when entrepreneurs make sense and knowledge from their tactics and behaviour and incorporate it into their performance and practice. Serial entrepreneurs will fashion their "know-how" from trial, error and reflection over their daily routines; they will find "what works". The practical theory is based on successful experience and is often described as "gut-feel", intuition, "know-how", "know-what" and "know-who". The entrepreneurs may not be aware of their practical learning and making them reflect on their actions may help them, as well as others, understand what they should or could do when failure or any other threat to their venture appears. The task of the researcher is to help the entrepreneurs reflect on their actions and behaviours, find the actions that are useful and valid in the scholarly sense, and create the theory therefrom. On the other hand, Arelette and Maritz (2009) argue that research about entrepreneurial learning and actions must be conducted in real time to retrieve the best results, as after a while the entrepreneurs add their later learning and experience to their perspective. They emphasise that the memory is not a camera. Therefore, when people recall their behaviours and actions, they often interpret them in ways that did not accurately reflect their original intentions. However, this thesis is looking for exactly this interpretation and perspective of the things that happened, as during the failure of a venture, the entrepreneurs may be too involved and cannot see the real situation, whereas after a period, and maybe after a successful venture, they may have sufficient knowledge to understand what went wrong.

As the aim of this research is to create a theory that is based on the participant's experience, transforming their words into academic terms. Therefore, although practice based theory is not an established methodology or epistemology, it is used in this thesis as guiding-lines for theory building

4.6 Learning from Failure

> *"Firms go out of existence, but entrepreneurs survive and learn" (Timmons & Spinelli 2009: 107).*

As stated before, venture failure can occur in new ventures embedded in an existing organisation (intrapreneurship), or in stand-alone new ventures (entrepreneurship). This section will broaden the area of learning from the failure of intrapreneurial and / or entrepreneurial new ventures. For clarity of reading, this section will address entrepreneurship and intrapreneurship as entrepreneurship or new ventures. Likewise, this section will address intrapreneurs and entrepreneurs as entrepreneurs.

Venture failure is probably the one thing that almost all entrepreneurs face at some point in their endeavours. At the same time, failure is probably the last thing on the mind of an entrepreneur starting out on the entrepreneurial process (Pretorius 2008).

Venture failure can be addressed in negatively or positively. While the negative outcomes of failure are monetary and emotional cost, the positive effects are associated with learning, gaining experience and other cognitive constructs (Mitchell, Mitchel & Smith 2004). Furthermore, many researchers emphasise that failure represents an essential requirement for learning. Therefore, failure is an experience entrepreneurs gained as part of their learning curve (Cave, Eccles & Rundle 2001; Cope, Cave & Eccles 2008; Shepherd 2003; Sitkin 1992; Stokes & Blackburn 2002).

Shepherd (2003) emphasises that learning from venture failure occurs when entrepreneurs are able to use the experience and the information, gathered in the failed venture, for revising their knowledge and beliefs. Therefore, entrepreneurs must reflect on their actions, understand what went wrong and use the new knowledge in their next venture (Shepherd 2003). However, McKenzie and Sud (2008) demonstrate that although it is important to learn from failure, there are cases in which nothing is to be learned from the failure. They give an example of failure caused by exogenous forces. However, the belief expressed in this study is that even from such failure entrepreneurs can learn, if they reflect on their actions, to avoid those forces in their next venture (for example, choose a different environment in which to start that venture).

4.6.1 The Importance of Learning from New Venture Failure

> *"Success is a lousy teacher. It seduces smart people into thinking they can't lose"(Gates 2007).*

Failed routines can be addressed in two ways, for learning or for unlearning.

Although entrepreneurs learn from every action they perform, gaining experience from both successful and failed procedures, they will learn more from critical events (Deakins & Freel 1998). Therefore, the outcome of failure should be a cognitive reflection on the organisational (or the entrepreneurial) behaviour and performance, using the failure as a learning stage for better performance in the future. Successful procedures may result in the repetition of the same procedures that may be performed more effectively, but they do not enhance learning as they do not produce cognitive thinking on the procedures and, as a result, the influence is only on short term performance (Politis & Gabrielsson 2009; Sitkin 1992). Moreover, repeating successful routines may have an opposite outcome, as entrepreneurs become over-confident in their actions and repeat the same routine even if the situation has changed. In this case, their chance of failing the next time increases as it prevents them from adapting to change (Baumard & Starbuck 2005). Therefore, the failure should be seen as a "learning journey" (Cardon & McGrath 1999; Cope, Cave & Eccles 2004).

Unlearning is defined as "a decrease in the range of potential behaviours" (Huber 1991: 104) through which entrepreneurs and organisations intentionally avoid failed routines. The time and resources that entrepreneurs might use to avoid failures may become more costly than failing and learning from the experience (Huber 1991; McGrath 1999).

However, failures can vary in magnitude. While large failures can result in business closure, small failures, if recognised in time, should be used for learning and fine tuning the procedures in the business (Cannon & Edmondson 2005). Furthermore, Sitkin (1992: 243) defines intelligent failure as a failure from which one can learn. Intelligent failures have five characteristics: "(1) they result from thoughtfully planned actions that (2) have uncertain outcomes and (3) are of modest scale, (4) are executed and responded to with alacrity, and (5) take place in domains that are familiar enough to permit effective learning".

The finding of this research parallels that of Cannon and Edmondson (2005) and that of Sitkin (1992) in seeing the importance of learning from smaller failures and not waiting for the final failure which, even if learned from, will only provide a lesson that may help the next venture and not the current one.

In addition to Sitkin's (1992) five characteristics, Cannon and Edmondson (2005) emphasise three steps that should be taken in order to ensure effective learning from failure:

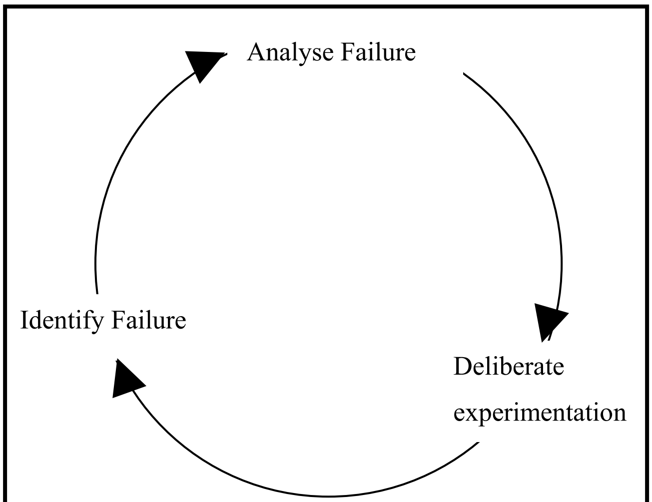
1. Identifying failure – Failure is a process, it does not happen suddenly. Major failures are often preceded by smaller failures that were not identified and, therefore, were not used as learning stages that could have prevented catastrophic failure. The tendency to ignore small failures can result in the repetition of those behaviours and actions which can lead to major failures that can lead to the termination of ventures (Cannon & Edmondson 2005; Petroski 1985). When a small failure is identified, it is a signal that there is a problem in the process. Therefore, having a process for recognising failures as they occur is crucial for business survival. Although it is easier to recognise larger rather than smaller failures, the reaction towards the large ones might be more protective than exploratory. As the smaller failures are less threatening, they may be able to attain the dual goal of capturing attention and enabling the avoidance of major failures (Sitkin 1992).

2. Analysing failure – It is not enough to recognise a failure, one needs to reflect and find the reasons for that failure. Only then can learning start. Without the process of analysing and reflecting on failure, there is no learning (Cannon & Edmondson 2005). Furthermore, by analysing small failures that appear during the lifetime of the venture, bigger failures may be prevented (Sharma &

Mahajan 1980). To properly revise one's actions, entrepreneurs must understand why the failure happened, analyse it and understand what they should do to prevent it in the future (Shepherd 2003). Clarke et al. (2006: 443) summarise the issue by saying that "Through reflection about one's actions and the consequences, which result from these actions, reflective learning occurs which may enable possible constraints and difficulties in the environment to be identified". They suggest that the entrepreneur should become a "reflective practitioner", meaning that they should use critical reflection, which will help move the business beyond "adaptive" learning.

3. Deliberate experimentation – This is the third and most proactive process used by organisations and entrepreneurs to learn from failure. Firms experiment with new procedures for learning and innovation purposes. These experiments may increase the failure rate of the procedures, though they open the up the possibility of discovering novel and innovative solutions (Cannon & Edmondson 2005).

Figure 4-9: Entrepreneurial Learning from Failure



Source: Adapted from Cannon & Edmondson (2005)

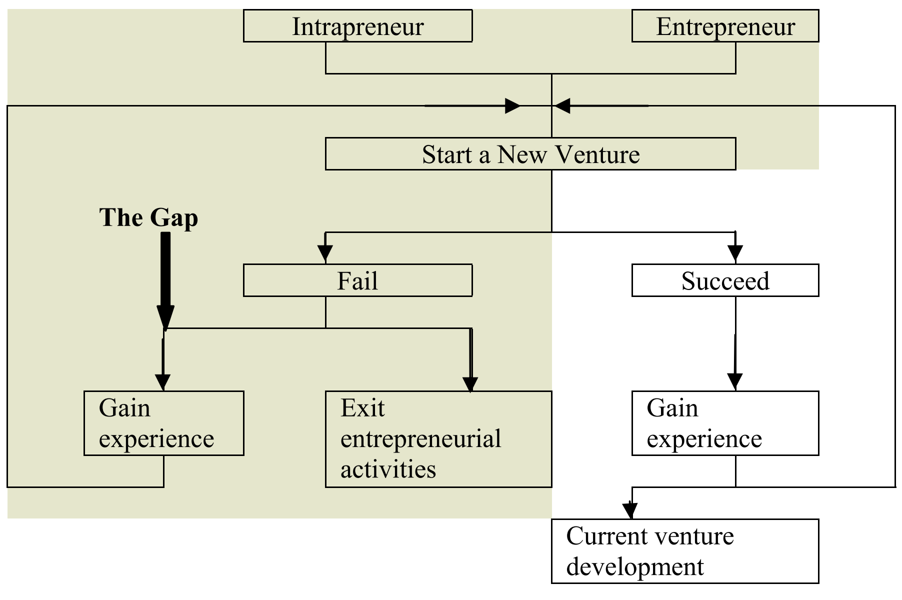
This researcher agrees that these three stages are essential for entrepreneurial learning, and are compatible with the cognitive learning curve shown in Figure 4.9. These three stages should be an endless process of learning: identifying small failures, analysing them and learning by experimentation to achieve better results.

4.7 Research Questions

This study targets two groups, entrepreneurs and intrapreneurs. Both start new ventures, which may succeed or fail. When a venture succeeds, the entrepreneurs / intrapreneurs may choose one of two options, start another new venture or continue running this venture.

When the venture fails, the entrepreneur or intrapreneur will choose one of two options; leave the entrepreneurial / intrapreneurial way of life, or learn from the failure and start a new venture. Figure 4.10 shows the route entrepreneurs / intrapreneurs may choose. The shaded area is the scope of this thesis.

Figure 4-10: Conceptual Model



Source: Developed for this research

As explained above, learning can occur both from successful and failed ventures. In this schema, the learning is defined as "gain experience", which is the result of the learning process. The arrow between the "fail" box and the "gain experience" box is the gap that this study aims to fill (marked with a bold arrow).

Entrepreneurs and intrapreneurs were asked, for the purposes of this thesis, to reflect on their former actions when their ventures failed and find out what they have learned from it. The questions are retrospective as it takes time for the entrepreneurs / intrapreneurs to reflect on their actions without their responses being coloured by the grief that may be connected to the failure (Shepherd 2003).

Therefore, the research questions for this thesis are:

1. How do entrepreneurs and intrapreneurs perceive venture failure?
2. What is it that entrepreneurs and intrapreneurs learn from new venture failure?
3. What is the difference, if any, between what entrepreneurs and intrapreneurs learn from venture failure?

4.8 Research Propositions

Qualitative research answers questions related to "how", "why" and "what", and not those to do with relationships between different variables. Therefore, it uses propositions instead of hypotheses. The propositions stated are the rationalisation and direction the research takes. Furthermore, it creates criteria for judging whether or not the research was successful (Yin 2003).

The propositions in this study are based on premises that arose from the literature review chapters and supports the rigour and depth of the study (Eisenhardt & Graebner 2007). Therefore, the propositions and premises of this research are:

Premise 1: Entrepreneurs start new ventures as stand-alone enterprises; therefore, the venture is the business (Timmons & Spinelli 2009).

Premise 2: Intrapreneurs start new ventures within established organisations (Morris, Kuratko & Covin 2008).

Proposition 1: Entrepreneurs perceive business success and failure as equivalent to new venture success and failure.

Proposition 2: Intrapreneurs perceive business success and failure as equivalent to new venture success and failure.

Premise 3: There is something to be learned from new venture failure (Politis 2005; Politis & Gabrielsson 2009; Sitkin 1992).

Premise 4: Entrepreneurs who have failed have more experience than entrepreneurs who have not (Mitchell, Mitchel & Smith 2004).

Proposition 3: New venture failure can be identified as part of the entrepreneurs' learning curve.

Premise 5: By learning from failures, entrepreneurs have better chances of succeeding in their next ventures (Cope, Cave & Eccles 2004; Deakins & Freel 1998).

Premise 6: Experienced entrepreneurs have a constructive and retrospective view of their failed ventures.

Proposition 4: Experienced entrepreneurs can suggest ways in which they could have overcome the failures.

Proposition 5: Entrepreneurs and intrapreneurs will learn similar things from new venture failure.

4.9 Summary

This chapter commenced with definition of learning in general, focusing on entrepreneurial learning.

Entrepreneurial learning can be described as a learning cycle. Entrepreneurs and intrapreneurs experiment by innovating, creating new services or products and creating new procedures for those products or services. These procedures have outcomes, some of which are better than other procedures' outcomes. Therefore, they need to reflect on their actions. Reflective thinking and learning needs to be in place in order to improve the chances of success in the future, even if the outcome of the project is successful, but especially if the outcome is a failure. The outcome of this reflection is a change in the procedures that will give better results in the future. The combination of the three points of the triangle is entrepreneurial learning. Therefore, entrepreneurial learning is defined as ***the creation of knowledge that leads to behavioural change***.

The chapter continued with a discussion of the importance of new venture failure, accepting the stages of learning from new venture failure defined by Cannon and Edmondson (2005), as demonstrated in Figure 4.9.

The chapter concluded with research questions and propositions.

The research questions for this thesis are:

1. How do entrepreneurs and intrapreneurs perceive venture failure?
2. What is it that entrepreneurs and intrapreneurs learn from new venture failure?

3. What is the difference, if any, between entrepreneurs and intrapreneurs' learning from venture failure?

The research propositions are:

Proposition 1:	Entrepreneurs perceive business success and failure as equivalent to new venture success and failure.
Proposition 2:	Intrapreneurs perceive business success and failure as equivalent to new venture success and failure.
Proposition 3:	New venture failure can be identified as part of the entrepreneurs' learning curve.
Proposition 4:	Experienced entrepreneurs can suggest ways in which they could have overcome the failures.
Proposition 5:	Entrepreneurs and intrapreneurs will learn similar things from new venture failure.

The next chapter will explain the methodology of this study, commencing with research design, sources of data and the instrument. The chapter concludes with a brief discourse on cognitive mapping as the chosen data categorising technique for this study.

Chapter 5 Research Methodology

5.1 Introduction

The aim of this chapter is to explain the methodology used in the study. This thesis explores what entrepreneurs learned from failure of their venture and intends to suggest that failure, although not a desired outcome of a venture, is not a worst case scenario and good things can come out of it. As exploratory research looks for ideas, patterns or themes, and explores a problem (Page & Meyer 2000), it is the most appropriate research method classification for this research.

This research uses an innovative research methodology that does not follow one specific qualitative methodology technique (as case study or grounded theory research), but is rather a combination of qualitative and quantitative techniques that are used to strengthen the results of the research.

This research used multiple types of data; (1) primary data being collected by online survey and structured interviews, and (2) data from previous relevant research was used as a basis for validity of the primary data.

To understand the new venture failure phenomenon and what entrepreneurs can learn from it, this research uses "practice-based theories" as a guide-line to explore what and how entrepreneurs suggest they have learned from new venture failures. Practice-based theories uses the entrepreneurs' narratives for making sense of what works and what does not, based on their experience and transform them into academic terms (Rae 2004b).

The chosen sampling method is purposive sampling using opportunity and snowball techniques (Tashakkori & Teddlie 2002). While searching for participant entrepreneurs and intrapreneurs, an opportunity to target two entrepreneurial databases arose. The databases are the last three years' winners of Deloitte's "Technology Fast 50" and WiT (Women in Technology) from Queensland. Both agreed to send the questionnaire to their members. In addition, four entrepreneurs who had failed ventures in their endeavours were interviewed as a control group and 12 of the online participants were interviewed to discuss their comments in further details. Both survey and structured interviews used the same questionnaire, adapted from Stokes and Blackburn (2002).

Data analysis used cognitive maps to categorise the data, after which, the analysis used classic content and word count techniques. The cognitive map technique was developed by cognitive psychologists as a means of modelling causal relationships between variables within belief systems, as reported by individual respondents. However, the use of this technique was extended to describe the characteristics of social systems (Russell 1999). This technique spreads the main themes on paper as a base for the map.

Although cognitive mapping is an innovative way of conducting data analysis, it has been used by different researchers in the entrepreneurship and business field, among them Ulengin et al. (2010), Hsieh, Nickerson and Zenger (2007) and Lichtenstein, Dooley and Lumpkin (2006).

The structure of this chapter is presented in Figure 5.1.

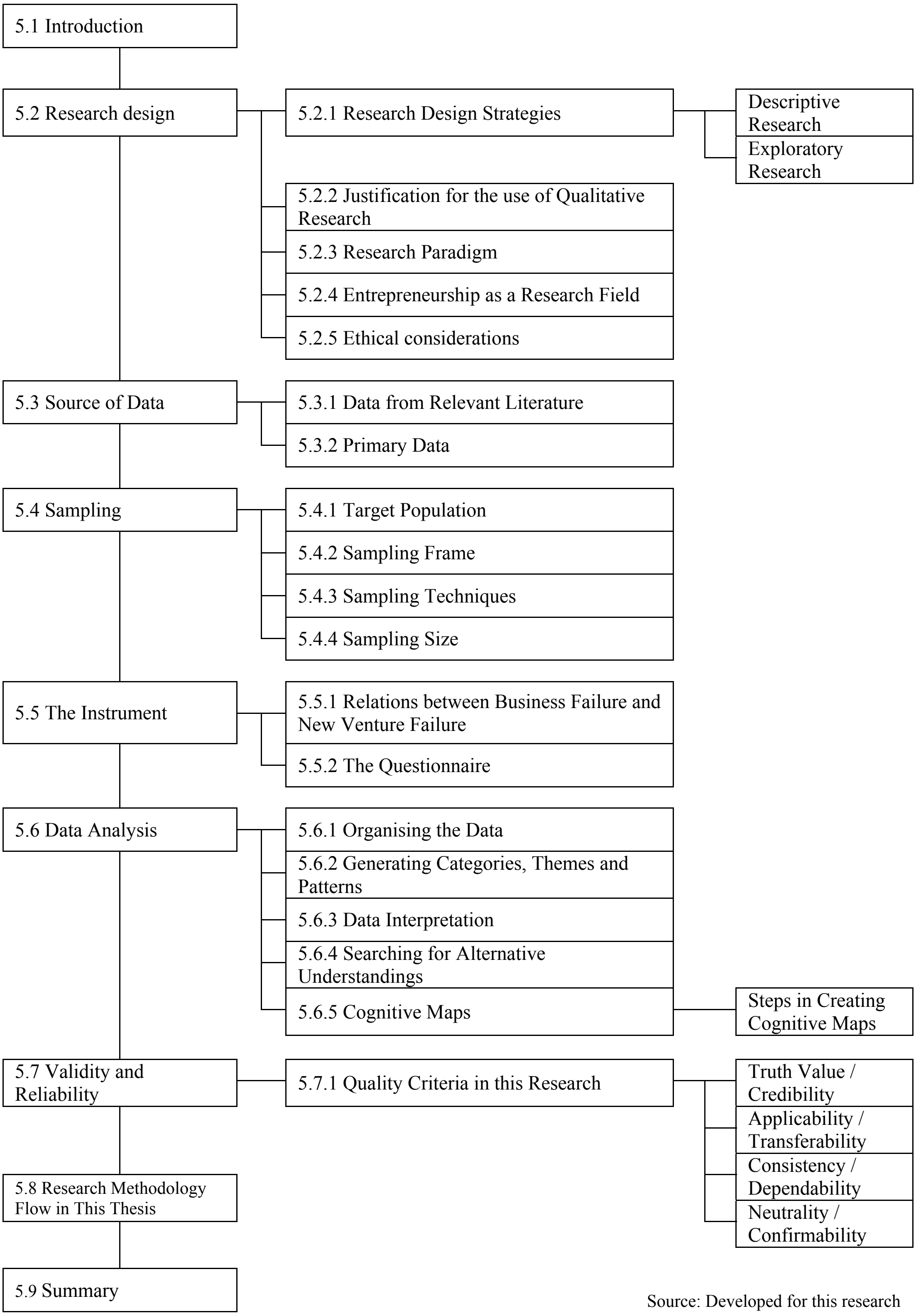
Section 5.2 – elaborates on the two main qualitative research strategies, descriptive and exploratory (Cooper & Schindler 2003; Marshall & Rossman 2006) and explains why exploratory research is the most appropriate methodology for this research. The section continues by justifying the use of a qualitative research approach and explains the importance of entrepreneurship as a research field. The section concludes with a discussion regarding the ethical considerations exercised in this study.

Section 5.3 – describes data collection methods. This research used multiple methods of data collection, with primary data being collected by online survey and structured interviews. Previous relevant research was used as a basis for validity of the primary data. This section elaborates on these two types of data.

Section 5.4 – clarifies the sampling methods. As the unit of analysis in this research is the entrepreneurs, and the study aimed to learn from their experience, the sampling method chosen was purposive sampling.

Section 5.5 – data was collected using multiple methods, an online questionnaire and interviews. This section will explain the reasons for choosing the Stocks and Blackburn (2002) questionnaire.

Figure 5-1: Research Methodology - Chapter Structure



Source: Developed for this research

Section 5.6 – discusses the analysis methods used in this research. For categorising the data, this research used cognitive maps (Buzan & Abbott 2005; Russell 1999). The categorised data was analysed using word counting and classical content analysis (Ryan & Bernard 2000).

Section 5.7 – explains validity and reliability in qualitative research as opposed to quantitative research, emphasising quality criteria as the bases for valid research.

Section 5.8 – illustrates the research methodology flow in this thesis. This innovative research methodology does not follow one specific qualitative methodology technique (as case study or grounded theory research), but is rather a combination of qualitative and quantitative techniques that are used to strengthen the results of the research. Therefore, this section combines and summarise the structure of the research methodology.

5.2 Research Design

There is no single definition of research design, though they all agree on the following essentials (Cooper & Schindler 2003: 146):

- This is an activity- and time-based plan
- It must always be based on the research questions
- It will guide the selection of sources and types of information
- It is a framework for specifying the relationships among the study's variables
- It outlines procedures for each research activity.

5.2.1 Research Design Strategies

Research design strategies define the research type, time frame, scope and environment (Cooper & Schindler 2003). This section will elaborate on the two main qualitative research strategies, descriptive and exploratory (Cooper & Schindler 2003; Marshall & Rossman 2006), and explain why exploratory research is most appropriate type for this study.

5.2.1.1 Descriptive research

Qualitative descriptive study is a method applicable when straight descriptions of phenomena are desired. It attempts to answer the questions who, what, when, where and how (Cooper & Schindler 2003; Sandelowski 2000).

Sandelowski (2000) emphasises that it describes the phenomenon without interpreting it. However, the description always depends on those giving the description and their perceptions, sensitivities and sensibilities. The classic qualitative descriptive is one that uses the data in a simplified understanding. For instance, if two researchers conduct an interview together, the descriptive data will be only that on which both of the researchers agree (Sandelowski 2000).

Cooper and Schindler (2003) disagree with Sandelowski (2000), articulating that descriptive research can be as complex as any other type. It all depends on the depth at which that the researchers conduct their study. Furthermore, its conclusions can be conclusive as exploratory or casual studies.

This research is not concerned with describing the causes of ventures failure, but rather with understanding and interpreting the entrepreneurs' actions and learning as a result of the failure. Therefore, the descriptive research method is inadequate.

5.2.1.2 Exploratory Research

Exploratory research looks for ideas, patterns or themes; it is an exploration of a problem (Page & Meyer 2000), and it answers questions related to "what" and "how" (Perry 1998; Yin 2009), while the explanatory approach answers the question "why" (Wigren 2007). Exploratory research is usually used as a first stage for developing a new theory or model. It is useful when not much is known about the studied subject (Page & Meyer 2000), and is designed to discover new relationships, patterns, themes and ideas. Furthermore, it is not intended to test specific research hypotheses (Hair et al. 2007).

The assumption behind the exploratory approach is that the more one knows about the data, the more effectively the data can be used to develop a theory. On the other hand explanatory approach to data is to maximise the "what" that is learned from the data using scepticism and openness (Hartwig & Dearing 1982). Therefore, the main difference between the exploratory and explanatory approaches to research is the way they treat data; the first uses it to create something new, while the second only explains it.

This thesis explores what entrepreneurs learned from their venture failures and intends to suggest that failure, although is not a desired outcome of a venture, is not a worst case scenario and that good things can come out of it. Therefore, the most appropriate research method classification is the exploratory.

5.2.2 Justification for the use of Qualitative Research

Qualitative research is "a study that focuses on understanding the naturalistic setting, or every day life, of certain phenomenon or person" (Wigren 2007: 383). Furthermore, it is suggested that qualitative research explains complexity and may provide insights that cannot be gained through the use of the quantitative approach (Neergaard 2007).

Neergarad and Ulhøi (2007: 5), in the introduction to their book, explain that "we use qualitative approaches when we wish to go beyond mere description at a generalised level in our empirical investigations."

Marshall and Rossman (2006: 53) emphasise that qualitative research should be conducted for the following research types:

- Research that cannot be done experimentally for practical or ethical reasons
- Research that delves in depth into complexities and processes
- Research for which relevant variables have yet to be identified
- Research that seeks to explore where and why policy, folk wisdom and practice do not work
- Research on unknown societies or innovation systems
- Research on real, as opposed to stated, organisational goals.

This research uses "practice-based theories" to explore what and how entrepreneurs suggest they have learned from new venture failures. Practice-based theories are the entrepreneurs' narratives for making sense of what works and what does not from their experience (Rae 2004b) see section 3.5 for more details regarding practice-based theories.

The research questions in this thesis integrate with the first two research types, as identified above:

- One cannot create an experiment that will recreate business failure in the laboratory. For genuine results, the entrepreneurs must experience the failure of their real ventures
- The research delves into entrepreneurs' reflections and learning about their venture failures.

Furthermore, Veal (2005) summarises the advantages of qualitative research. It:

- Enables the researcher to understand and explain in detail the individuals' personal experience.
- Focuses on people's understanding and interpretation rather then seeking external causes for their behaviour.
- Allows research from the participant's perspective
- Is presented in a narrative form rather then a statistical form, making it easier to read.
- Is useful for examining personal changes over time
- Tends to focus on human interest issues.

This research focuses on the experience that entrepreneurs gained if or when their new ventures failed. The entrepreneurs were asked to reflect on their behaviour as result of the venture's failure and explain what they have learned from it. Furthermore, they were asked to describe how the failure influenced their plans to open new ventures in the future.

Based on the discussion above, the qualitative approach is appropriate for this study.

5.2.3 Research Paradigm

This research is based on the constructivist paradigm, a sub-paradigm of interpretivism.

Generally, in the philosophy of social research, one can find three main paradigms: Positivist, post-positivist and interpretivist. The difference between these paradigms is the attitude towards research; while positivists tend to explain human behaviour, interpretivists seek to understand it (Grix 2004).

The interpretivist paradigm views humans as meaningful, which means that their acts are meaningful and can be interpreted. The interpretivists argue that it is possible to understand the subjective meaning of an action, yet to do so in an objective manner (Schwandt 2000). The interpretivist paradigm has two fields, Critical Theory and Constructivism (Lincoln & Guba 2000). Mir and Watson (2001) believe that constructivism is a paradigm that may explain the theory better by introducing the concept of over-determination. According to this concept, its existence, including all its properties or qualities, is determined by each and every other process, and not by looking for replications as the critical realist may do. Golafshani (2003) defines constructivism as "the view that all knowledge, and therefore all meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context" (Golafshani 2003: 603). She adds that constructivism values multiple realities that people have in their minds.

In the research for this thesis, entrepreneurs were asked for their understanding of their actions, to think about ventures that in their opinion failed, reflect on their experience and explain what they have learned from it. This type of questioning fit mostly the interpretivist and constructivist paradigm.

5.2.4 Entrepreneurship as a Research Field

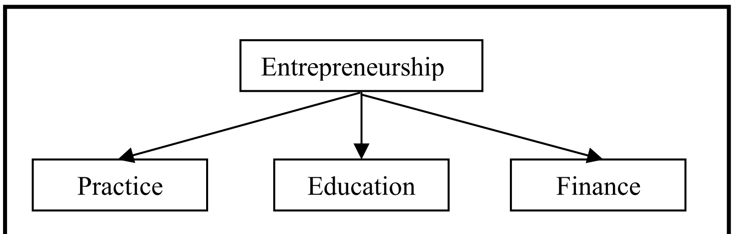
Since the 1980s entrepreneurship has become a major field of academic research. Furthermore, with the growth of the internet, and the simplicity of access to information, the growth of "knowledge" has been exponential. However, the growth of knowledge created a growth in "mythical concepts" that created ignorance instead (Gibb 2000). Gibb defines "mythical concepts" as "*a group of words or expression to which is given a set of different meanings and understandings by different groupings of society which may be wholly or partly without foundation*" (Gibb 2000: 13).

Furthermore, Veciana (2007) emphasises that there are many entrepreneurship theories that reflect different theoretical approaches or paradigms. He suggests that the four main theoretical approaches are economic, psychological, socio-cultural and managerial. Each approach can be analysed at one of three levels, individual, corporate and global-country. According to Veciana's model (Veciana 2007: 35), the study of new venture success and failure is part of the managerial approach. However, he emphasises that the level of analysis is corporate. In addition, Davidsson and Wiklund (2007) emphasise that entrepreneurship is a broad research domain. Therefore, studies in that domain should deal with more precisely defined issues, concepts and levels of analysis.

Whilst it is accepted in this study that new venture success and failure are part of the managerial theoretical approach, as suggested by Veciana (2007), the level of analysis is considered inadequate, and it is suggested that new venture failure should be analysed at the level of the individual entrepreneur. Hence, the level of analysis, in this research, is the entrepreneur and not their ventures.

A different approach to entrepreneurship divides the field into three sub-fields of interest (Figure 5.2): practice, education and finance. Those interested in entrepreneurship specialise in one of these fields. They either practice it, teach or learn it, or finance it (Welsch & Maltarich 2004).

Figure 5-2: Structure of the Entrepreneurship Field



Source: Welsch and Maltarich (2004)

Welsch and Maltarich (2004) state that entrepreneurship education and finance are well defined and established fields, whilst the entrepreneurship practice field is seen as a seething cauldron of new developments and innovations. The inconsistency between the loose structure and rigid change in entrepreneurship and the slower change and relatively rigid structure of the academic treatment of the entrepreneurship field suggests a need for focused efforts by academics to identify emerging trends and increase the relevance of their studies (Welsch & Maltarich 2004).

This research is a combination of the entrepreneurship practice and entrepreneurship education fields. It uses practice-based theory to transform entrepreneurs and intrapreneurs' experience into academic theories. Practice-based theory provides an understanding of not only "what works" or what happens, but goes beyond this, seeking to explain why it works and how can it be generalised (Rae 2004b). Therefore, this study uses the practices employed and experience gained by entrepreneurs and intrapreneurs from their failed ventures to explore what it is that can be learned from new venture failure.

5.2.5 Ethical Considerations

An ethic is defined as a moral principle, code of behaviour and study of morals (Krebs 2001). Therefore, each scholarly association may adopt their own ethic code. However, it is suggested that four main guidelines overlap between all of them (Christians 2000). This section emphasises these guidelines, and explain how this thesis fulfils them.

1. Informed Consent – participants agree voluntarily to participate in the research. They must receive full information regarding the nature of the research, duration and what is expected from them while participating (Christians 2000). Swinburne University outlines three issues under the definition of informed consent (Research 2007):

    a. Valid consent – The consent must be in a valid form, such as a signed letter, a return form or press a "next" button to start an online survey. The consent must be "active", therefore consent cannot be merely the default answer of the instrument.

    b. Capacity to consent (people with disabilities, minors, etc) – If the individual is able to give consent, then he or she must give it. However, in the case of minors the approval of their parents or guardian must be given. If a child received the permission of the guardian or parent to participate, but does not want to, the researcher should respect his or her decision.

c. Authority to undertake research and individual consent – In case employees are asked a question regarding their work, the formal approval of their manager is requested. In this case, the manager must sign a consent form as well.

2. Deception – In general, deception is forbidden. However, there are special cases in which deception is approved, such as in medical experimental research when using placebo medications (Christians 2000).

3. Privacy and confidentiality – Codes of ethics insist on safeguards to protect a person's identity and research locations. Confidentiality is the safeguard against unwanted exposure. Personal data can be used only under a shield of anonymity (Christians 2000).

4. Accuracy – Assuring that the data is accurate is a cardinal principle. Fabrication and fraudulent use of data is forbidden (Christians 2000).

In this research, all these guidelines are observed:

1. Informed consent – The online survey starts with a consent form that explains the survey. The participant can start the survey only by pressing the "next" button and by doing so they agree to take part in the survey. The interviewed participants are asked to demonstrate explicitly their willingness to participate in the research.

2. Deception – The survey is straightforward, the consent letter explains what exactly the object of the research is, and what is expected from the participants.

3. Privacy and confidentiality – Each participant (online and interviewed) receive a unique code, and no personal information (such as name, company name or personal and business address) is requested. The information cannot be connected to a specific person.

4. Accuracy – All data is real data, the participants are real people who may answer the questionnaire only once.

The research was approved by the Swinburne University Human Research Ethics Committee in September 2009, and re-approved for the addition of a second database and personal interviews in March 2010 (see Appendix 2 for ethics approvals).

5.3 Sources of Data

This research used multiple methods of data collection, with primary data being collected by online survey and structured interviews, and secondary data by using previous research as a basis for validity of the primary data. This section elaborates on these two types of data.

5.3.1 Data from Relevant Literature

The first stage of an exploratory research project is a search through relevant literature. By reviewing prior studies, one can identify methodologies used in similar research and find the gap that the current study will fill. The relevant literature will be used as background and can help to validate the collected primary data by reinforcing the conclusions. The data can come from the same field, from other fields and / or from the business researched (Page & Meyer 2000).

This thesis and based its propositions thereon the literature review. As the primary data was collected from entrepreneurs and intrapreneurs from different ventures, and the focus of the study is the entrepreneurs and their reflections on their failed ventures, no secondary data was collected from the ventures.

5.3.2 Primary Data

Primary data is data collected for the purpose of the specific research project (Page & Meyer 2000).

Table 5.1 summarises the most common primary data collection types for both qualitative and quantitative research, as suggested by Brundin (2007). The researcher should choose the data collection methods most appropriate to answer the research questions (Brundin 2007).

The online survey was utilised as a simple way to reach a large group of participants. However, the response rate is usually low. A more critical problem is that in online surveys (such as the survey used in this case), the researcher cannot control who answered the questionnaire. However, its main advantage is that the participants do not need to remember sending the filled questionnaire, as in the case of mailed or emailed surveys (Adams, Khan & Raeside 2007).

Table 5-1: Data collection types

Ways of collecting data	Qualitative methods	Quantitative methods
Interviews	✓	
Conversations	✓	
Observations	✓	
Questionnaires	✓	✓
Documentary studies	✓	✓
Critical incidents techniques	✓	
Experiments		✓
Conjoint analysis		✓
Self reports: Verbal protocols		✓
Self reports: emails	✓	✓
Self reports: diaries	✓	
Direct involvement of practitioners / entrepreneurs	✓	

Source: adopted from Brundin (2007)

Twelve of the participants who answered the online survey were interviewed, using the same questionnaire, to discuss their comments in depth details. In addition, four entrepreneurs who had failed ventures in their endeavours were interviewed as a control group. The questionnaire was made available and the entrepreneurs and intrapreneurs were interviewed between September 2009 and June 2010. The control group participants did not answer the online questionnaire. The structured interviews followed the online questionnaire, and were used as a method to strengthen the data from the online questionnaire.

5.4 Sampling

The unit of analysis in this research is the entrepreneurs. As the research aimed to learn from experienced entrepreneurs and intrapreneurs, the sampling method chosen was purposive sampling.

Tashakkori and Teddlie (2002: 713) defined purposive sampling as "Selecting specific units, or types of units, based on a specific purpose rather then randomly". Table 5.2 provides a summary of purposive sampling techniques.

Table 5-2: Purposive Sampling Techniques

Technique	Explanation

Convenience sampling	An easily accessible group of participants. It is one of the most commonly used purposive sampling techniques. This technique can be biased, as the researchers choose a group that may result in spurious conclusions being drown.
Extreme / deviant case sampling and typical case sampling	Designed to find cases that best illuminate the research question at hand. It seeks to find the most outstanding cases so it will give the most data from which to learn.
Confirming / disconfirming cases	Seeks cases that confirm the research theory or provide rival explanations to it.
Homogeneous case sampling	Used when the goal is to collect data from people who are demographically, educationally or professionally similar.
Stratified purposive (quota) sampling	Divides the purposefully selected target population into strata, with the goal of discovering elements that are similar or different across the sub-groups.
Random purposive sampling	Taking a random sample of units in the purposefully selected target population. The motive here is to add trustworthiness to the data, and reduce the bias that may occur by choosing specific people.
Opportunistic sampling	Taking opportunities as they arise and following up on leads within fieldwork.
Snowball sampling	Using personal and professional networks to choose cases that would be useful to the study.

Source: Kemper, Stringfield and Teddlie (2002)

5.4.1 Target Population

Cooper and Schindler (2003) state that "population" represents the element which the research is designed to analyse. The research questions are the main guide for choosing the population (Marshall & Rossman 2006). As the research questions in this thesis are designed to elicit an understanding of what the entrepreneurs and intrapreneurs learned from their ventures' failures, the population consist of entrepreneurs and intrapreneurs.

However, as cultural elements may influence the results of responses and add responses that are culturally and geographically based (Guba & Lincoln 1994; Marshall & Rossman 2006), the research focuses on entrepreneurs and intrapreneurs in Australia.

5.4.2 Sampling Frame

Marshall and Rossman (2006: 85) propose a number of criteria for choosing the sampling frames:

1. Entry is possible;

2. There is a high probability that a rich mix of many of the processes, people, programs, interactions and / or structures that may be a part of the research questions will be present;

3. The researcher can devise an appropriate role to maintain the continuity of the study;

4. Data quality and the credibility of the study are reasonably assured by avoiding poor sampling decisions.

To meet these criteria, two entrepreneurs' databases were selected. An online questionnaire was sent to "Technology Fast 50" competition winners and women entrepreneurs from WiT (Women in Technology). In addition, four entrepreneurs were interviewed using the online questionnaire as a structure.

5.4.3 Sampling Technique

Multiple purposive sampling techniques were used; opportunity and snowball.

While searching for participant entrepreneurs and intrapreneurs, an opportunity to target two entrepreneurial databases arose. The databases are the last three years' winners of Deloitte's "Technology Fast 50" and WiT (Women in Technology) from Queensland. Both agreed to send the questionnaire to their members (see Appendix 1 for consent letters).

As the participation rate was low, 12 of the online participants were contacted for face-to-face structured interviews to discuss their comments in depth. A control group of four entrepreneurs were targeted using professional networks, as suggested in the snowballing sampling technique (Kemper, Stringfield & Teddlie 2002).

5.4.4 Sampling Size

Marshall and Rossman (2006) emphasise that gathering data from more than one resource strengthens the credibility and quality of the research. Gobo (2004) stresses that the higher the variance of the phenomenon under the study, the bigger the sample size should be. Defining variance depends on the unit of analysis and the research question. As the unit of analysis is the entrepreneurs and their reflection on their failed ventures, the variance is very high. Therefore, this research approached approximately 300 entrepreneurs.

5.5 The Instrument

In this research, data was collected by multiple methods, online questionnaire and face-to-face structured interviews. This section will explain the reasons for choosing the

Stocks and Blackburn (2002) questionnaire and elaborate on the relationship between the questions and the research's propositions.

5.5.1 Relationship between Business Failure and New Venture Failure

Before choosing and adapting a questionnaire, it is important to understand the relationship between business success or failure and new venture success or failure as suggested in Table 5.3.

This thesis will use the words "business" or "organisation" to mean legal entity, including a start-up company. Therefore, "new venture" (commercialising an innovative product or service) can be part of a mature business or the reason to start a new business (and therefore, a legal entity).

Table 5-3: Success and Failure in Businesses and their New Ventures

		New Venture	
		Success	Failure
Business	Success	1	2
	Failure	3	4

Square 1: Success in both – the target of every entrepreneur / manager / owner.

Square 2: Failure of a venture whilst the business continues to succeed will usually appear when the venture is in a mature business, and can be described as intrapreneurship. It is less likely to happen when the business has only one venture (as in a start-up), as the new venture is the business.

Square 3: The venture succeeds while the business fails, which appears to be a paradox. However, this can appear in the event of bad management, or if the venture is very successful, orders are coming in, and the business is too small to fulfil them. In such a case, while the venture succeeds, the business does not have enough funds and therefore fails.

Square 4: Both fail. This can happen mainly in start-ups, when the business has only one venture, and is in fact the business. However, it can be found in mature businesses, if the business directed significant resources towards the new venture. Once the new venture failed, it influenced the whole business.

This research is seeking to provide an understanding of new venture failure as a whole, regardless of whether it appears in a mature business or a start-up. Therefore, entrepreneurs and intrapreneurs will be interviewed for this research and asked for their definitions of new venture failure and success, as well as business failure and success, in order to find out where in the matrix their experience lies with regard to business and new venture failure.

5.5.2 The Questionnaire

The questionnaire for this study is based on the empirical scale employed by Stokes and Blackburn (2002) to measure business closure (see Appendix 3 for original questionnaire and approval to use it).

Stokes and Blackburn's (2002) research aimed to provide an understanding of what happened to new ventures and to entrepreneurs after their businesses were closed. It developed a typology of business closure, owner / manager exits and owners attitude towards opening future ventures. From the questionnaire respondents they chose 20 entrepreneurs for further interviews.

As the original questionnaire studies business closure arising from different causes, including failure, it was most appropriate as a basis for this research. The questionnaire was adapted in an Australian context, Table 5.4 summarise the changes done in the original questionnaire. Questions regarding business and new venture failure and about things to learn from it were added (see Appendix 4 for full questionnaire). In addition, the order of the questions from the original questionnaire was changed. Pre-testing was implemented via academics and practitioners.

Table 5-4: Summary of adaptation from original questionnaire

	Original question	Adaptation
1	Organisational form	Did not change
2	Years in business	Did not change
3	Number of owners	Did not change
4	Business experience	Separated into 7 small questions. Each question was phrased twice, once about business ownership and once about new ventures
5	Reasons to start a new business	Asked twice, once as in this question and once as an open question. Each question was phrased twice, once for entrepreneurs and once for intrapreneurs.
6	Other occupations	Rephrased.

7	Number of employees	Did not change
8	Annual figure	Removed, not relevant to this research
9	Business management strategy	Changed into two questions, one identical and one asking about decision making in the business, using the same answers.
10	Financial situation	Asked twice, once for entrepreneurs and once for intrapreneurs.
11	In case of insolvent	No Change. However, it was phrased twice, once for entrepreneurs and once for intrapreneurs.
12, 13	What happened o the business after you left	Removed, not relevant to this research
15	Reasons to leaving the failed business	Rephrased twice as an open question, once for entrepreneurs and once for intrapreneurs.
16	What did you do after leaving the business	No Change. However, it was phrased twice, once for entrepreneurs and once for intrapreneurs.
17	Success as a manager	No Change. However, it was phrased twice, once for entrepreneurs and once for intrapreneurs.
18	Management skills	Separated into 3 shorter questions. Each question was phrased twice, once for entrepreneurs and once for intrapreneurs.
19	Encourage or discourage next venture	No Change. However, it was phrased twice, once for entrepreneurs and once for intrapreneurs.
20	Seek for Advice	No Change. However, it was phrased twice, once for entrepreneurs and once for intrapreneurs.
21	Benefiting experience	Rephrased
22	Experience to avoid	Rephrased
23	Industrial sector	No Change. However, it was phrased twice, once for entrepreneurs and once for intrapreneurs.
24	Main product or service	Separated into 2 questions. Each question was phrased twice, once for entrepreneurs and once for intrapreneurs.
25	Percentage of sales	No Change. However, it was phrased twice, once for entrepreneurs and once for intrapreneurs.
26	Gender	No change
27	Age when left the business	Removed, not relevant to this research
28	Origin	Removed, not relevant to this research
29	Highest educational qualification	Answers rephrased to suit Australian's definitions.

The questionnaire consists of three main components:

1. General business information – to determine whether the person answering is an entrepreneur or an intrapreneur.

2. Questions regarding successful and failed ventures, separated between start-ups and new ventures embedded in bigger businesses. The questionnaire splits into two branches, one for entrepreneurship and one for intrapreneurship. The questions in the branches differ only in terms of words and not meanings.

3. Personal information.

The questionnaire contained 69 questions. However, the questionnaire was separated into two tiers, questions 36-50 for entrepreneurs and questions 51-64 for intrapreneurs.

Each participant answered only one tier. Questions 36-50 placed emphasis on failing start-up new ventures most recently owned or managed. Questions 51-64 placed emphasis on failing new ventures in an existing company. Therefore, each participant answered 54 questions. Pre-testing of the questionnaire confirmed a 15 minute completion rate, consistent with the original Stokes and Blackburn's (2002) survey.

Table 5.5 shows the connection between the questions, the type of venture (entrepreneurship or intrapreneurship), related propositions and the reasons for asking the questions.

Table 5-5: Questionnaire Structure

Question	Question Regarding	Venture Type	Proposition	Reasoning
How many businesses have you owned / managed (including the present one)?	Entrepreneur	Both	General info	Establish experience
How many of these businesses have succeeded?	Entrepreneur	Both	General info	Establish experience
How do you define business success?	Entrepreneur	Both	P1, P2	Understanding insight
How many of these businesses have failed?	Entrepreneur	Both	General info	Establish experience
How do you define business failure?	Entrepreneur	Both	P1, P2	Understanding insight
How long have you been in business?	Entrepreneur	Both	General info	Establish experience
Would you describe this current business as:	Business	Both	General info	Clarification
The number of employees in your current business is:	Business	Both	General info	Clarification
The primary activity of this business is in:	Business	Both	General info	Clarification
The <u>major</u> product of this business is:	Business	Both	General info	Clarification
The <u>major</u> service of this business is:	Business	Both	General info	Clarification
The percentage of the business income from each of these markets is:	Business	Both	General info	Clarification
The number of owners in this business is:	Business	Both	General info	Clarification
Decisions in this business are made by:	Business	Both	General info	Establish experience
How do you decide if a business succeeds?	Business	Both	P1, P2	Understanding insight
How long have you been the CEO / owner or CEO / manager of your current business?	Business	Both	General info	Establish experience
How many businesses have you inherited?	Entrepreneur	Both	General info	Establish experience
How many businesses have you purchased?	Entrepreneur	Both	General info	Establish experience
How many business have you started?	Entrepreneur	Both	General info	Establish experience
What are some reasons for starting your own business?	Entrepreneur	Both	General info	Understanding insight
Do you usually own more than one business at a time?	Entrepreneur	Both	General info	Establish experience
How would you rate your success as a business manager during the time you owned your last business (which may be your current business)?	Entrepreneur	Both	General info	Understanding insight
How many new ventures have you started?	Ventures	Both	General info	Establish experience

Question	Question Regarding	Venture Type	Proposition	Reasoning
How many new ventures have you managed?	Ventures	Both	General info	Establish experience
How many of these new ventures succeeded?	Ventures	Both	General info	Establish experience
How do you define new venture success?	Entrepreneur	Both	P1, P2	Understanding insight
How many of these new ventures failed?	Ventures	Both	P3	Establish experience
How do you define new venture failure?	Entrepreneur	Both	P1 ,P2	Understanding insight
This is a list of common reasons for starting new ventures.	Entrepreneur	Both	General info	Understanding insight
Do you usually own or manage more than one new venture at a time?	Entrepreneur	Both	General info	Establish experience
Most of my new ventures are (were):	Ventures	Both	P3	Establish experience
How do you decide if a new venture succeeds?	Entrepreneur	Both	P1, P2	Establish experience
Is there a particular experience of managing a new venture that would be useful if you were to start another new venture?	Entrepreneur	Both	P4, P5	Understanding insight
Is there a particular experience of managing a new venture that would you would avoid if you were to start another new venture?	Entrepreneur	Both	P4, P5	Understanding insight
Do you have any suggestions which might help potential entrepreneurs avoid new venture failure?	Entrepreneur	Both	P4, P5	Understanding insight
When you managed this start-up, who did you ask for advice?	Entrepreneur	Entrepreneurship	P3	If asked other entrepreneurs
How would you describe the financial situation of the start-up company at the time you decided it was failing?	Ventures	Entrepreneurship	P1, P2	Clarification
If the start-up company was insolvent, did any of the following situations arise?	Ventures	Entrepreneurship	General info	Establish experience
How do you decide if a start-up is failing?	Ventures	Entrepreneurship	P1, P2	Understanding insight
Why do you believe that this start-up company was failing?	Ventures	Entrepreneurship	P1, P2	Understanding insight
When you decided that the start-up company was failing, what did you do?	Ventures	Entrepreneurship	P3	Understanding insight
What was your main reason for choosing this action?	Entrepreneur	Entrepreneurship	P3	Understanding insight
If you left or closed the start-up, what did you do (or intend to do if your experience is recent)?	Ventures	Entrepreneurship	P3	Clarification
If you left or closed the start-up, how would you rate your success as a business manager during the time you owned / managed this start-up company?	Entrepreneur	Entrepreneurship	P3	If it changed, it shows learning
If you stayed and made a radical change to the failing start-up, how would you rate your success as a business manager?	Entrepreneur	Entrepreneurship	P3	If it changed, it shows learning

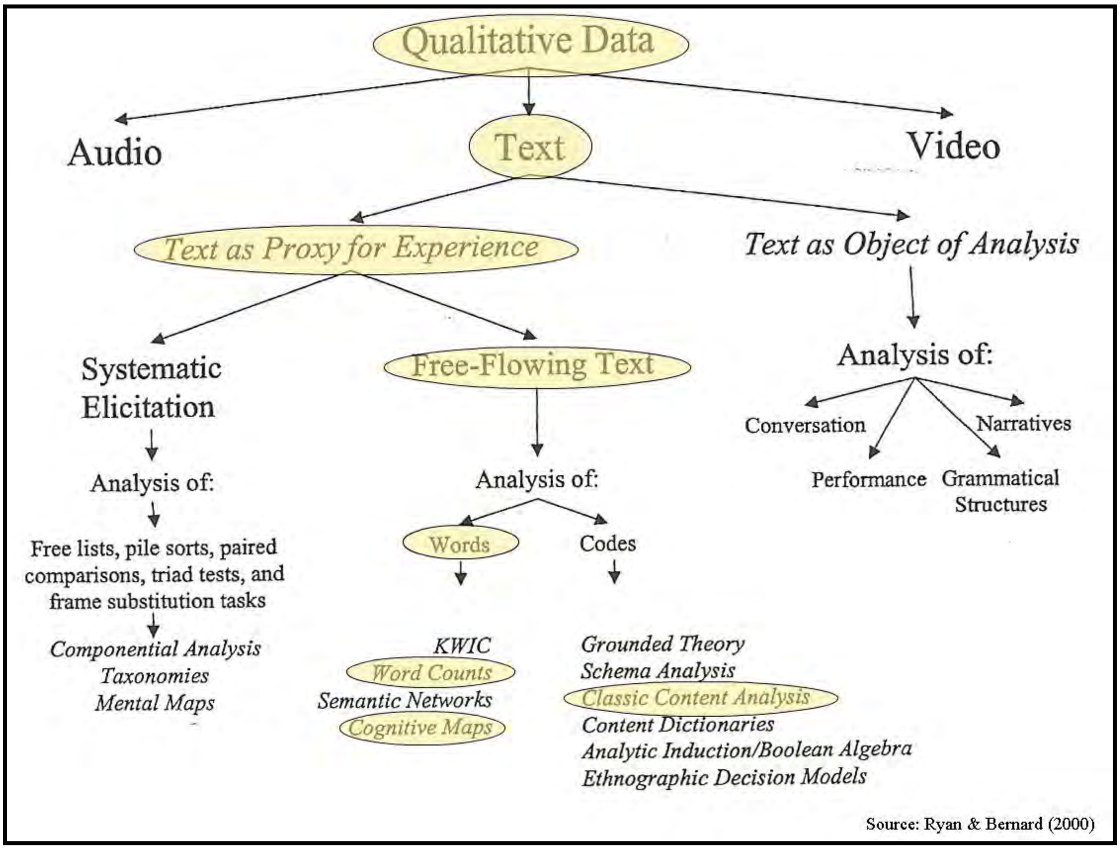
Question	Question Regarding	Venture Type	Proposition	Reasoning
Compared with when you started managing the failing start-up, how do you rate your strategic skills:	Entrepreneur	Entrepreneurship	P3	If it changed, it shows learning
If you are planning to own / manage another start-up, who will you ask for advice?	Entrepreneur	Entrepreneurship	P3	If it changed, it shows learning
Overall, has your experience of your most recent failing start-up encouraged or discouraged you from owing your own business in the future?	Entrepreneur	Entrepreneurship	P3, P4, P5	Understanding insight
When you managed the new venture in an existing company, who did you ask for advice?	Entrepreneur	Intrapreneurship	P3	If it changed, it shows learning
How would you describe the financial situation of the company at the time you decided that the new venture was failing?	Ventures	Intrapreneurship	P1, P2	Clarification
If the existing company was insolvent as result of the failing new venture, did any of the following situations arise?	Ventures	Intrapreneurship	General info	Establish experience
How do you decide if a new venture in an existing company fails?	Ventures	Intrapreneurship	P1, P2	Understanding insight
Why do you believe that this new venture was failing?	Ventures	Intrapreneurship	P1, P2	Understanding insight
When you decided that the new venture in an existing company was failing, what did you do?	Ventures	Intrapreneurship	P3	Understanding insight
What was your main reason for choosing this action?	Entrepreneur	Intrapreneurship	P3	Understanding insight
If you left or closed the existing company, what did you do (or intend to do if your experience is recent)?	Entrepreneur	Intrapreneurship	P3	Understanding insight
How would you rate your success as a business manager during the time you managed this new venture?	Entrepreneur	Intrapreneurship	P3	If it changed, it shows learning
Compared with when you started managing the failing new venture in an existing company, how do you rate your strategic skills:	Entrepreneur	Intrapreneurship	P3	If it changed, it shows learning
Overall, has your experience of your most recent failing new venture in an existing company encouraged or discouraged you from starting a new venture in the future?	Entrepreneur	Intrapreneurship	P3	If it changed, it shows learning

5.6 Data Analysis

Marshall and Rossman (2006: 154) define qualitative analysis as "a search for general statements about relationships and underlying".

Ryan and Bernard (2000) divide qualitative data into three main categories, audio, video and text (though they elaborate only about the text). The text is then divided between text that is the object of the analysis and text that is used as a proxy for experience. The type of analysis is chosen as result of the decision made on the type of data collection (see Figure 5.3). The data in this research comes from the experience of the participants, and the open questions are treated as free-flowing text. The preferred analysis types are highlighted, and explained later in this section.

Figure 5-3: Qualitative Analysis Techniques



The questionnaire in this research includes open questions, regarded by Ryan and Bernard (2000) as free-flow text, and closed questions. Each type of question will have different type of analysis.

However, regardless of the analytical method, the data must be edited and categories must be prepared before the analysis can commence (Cooper & Schindler 2003; Marshall & Rossman 2006; Ryan & Bernard 2000). After these preparations have been made, the data is ready for interpretation and for searching after alternative understandings (Cooper & Schindler 2003; Marshall & Rossman 2006).

As mentioned earlier, the data was collected by an online questionnaire and structured interviews were conducted using the same questionnaire. Cooper and Schilder (2003) stated that in qualitative research, questionnaires are self-administrated interviews and can, therefore, replace face-to-face interviews as a way of allowing a broader sample to be collected. Therefore, the analysis of the data treated the entire data set as data that came from structured interviews.

This section will elaborate on the four stages of data analysis.

5.6.1 Organising the Data

The data generated in qualitative questionnaires is huge. The first thing one should do is sort it, edit it and become familiar with it. This is done by reading and re-reading the collected data (Marshall & Rossman 2006).

The motive in editing is to detect errors and omissions, correct them if possible and evaluate the collected data (Cooper & Schindler 2003). However, Marshall and Rossman (2006) advise researchers to be very careful with editing, as important information may get lost in the process. Furthermore, Sobh and Perry (2006) warn that by reducing the data, the researchers may bias the results, as they may over-reduce data that is in conflict with their beliefs.

5.6.2 Generating Categories, Themes and Patterns

The second stage of preparing the data for analysis is coding and categorising for both types of questions, open and closed. The categories should be built in a way that each option of each answer will suit only one category (Cooper & Schindler 2003).

Responses to closed questions include scaled and listed answers. Each optional answer in a closed question will receive a code. For example, for the question regarding sex, the answer will be coded 0 for male and 1 for female. It is important that the code is unique and every option in an answer will suit only one code (Cooper & Schindler 2003).

While coding closed questions is relatively simple and straightforward, categorising open questions is more complicated. The categories should emerge from the data, identified as meaning held by participants. They should be internally consistent, though, distinct from each other (Marshall & Rossman 2006).

Another way to create categories is called cognitive maps. Cognitive maps combine human intuition with quantitative methods of network analysis. This is done by spreading all the data on a piece of paper and searching for connections and similarities between the participants for a specific answer and / or between the answers to different questions. In the categorising stage, the main themes of the data are spread on paper as a base for the map (Ryan & Bernard 2000).

The generation of categories in this research will be undertaking using simple coding for closed questions and cognitive maps for open questions.

5.6.3 Data Interpretation

The data is organised and categorised, and then tested against the propositions. The first test is designed to ensure that the collected data is relevant to the propositions. The data will then be tested against the proposition, searching for positive and negative instances of the patterns, and integrating them into larger constructs (Marshall & Rossman 2006).

The results of this stage will be themes that will support or disprove the propositions (Marshall & Rossman 2006; Ryan & Bernard 2000).

5.6.4 Searching for Alternative Understandings

For rigorous research, the next step should be to challenge the themes found in the previous steps, and find alternative explanations for the themes and links found previously. Alternative explanations always appear, and it is the task of the researcher to find them and not provide only the default explanation (Marshall & Rossman 2006).

5.6.5 Cognitive Maps

Cognitive mapping is a creative and effective way of "note-taking" and analysing data. This method gathers together large amounts of data, organising it in the brain's natural way of working. All cognitive maps radiate from a central theme in different routes that organise the data, help analyse it and allow important themes arise from it (Buzan & Abbott 2005).

Cognitive maps, also referred as mental maps or mind maps, are visual displays of similarities among items. They are popularly used to make maps by collecting data about cognitive similarities and dissimilarities among a set of themes, and then relating multidimensional scaling to the similarities (Ryan & Bernard 2000).

Geographical maps are used to represent a territory or a journey. However, they have the ability to represent environments as well. Likewise, cognitive maps represent a model or an image that can help focus and make sense of ideas and narratives. Therefore, as geographical maps are tools to navigate in the world, cognitive maps are tools to explain and understand narrative-like stories (Brännback & Carsrud 2009).

The cognitive mapping technique was developed by cognitive psychologists as a means of modelling causal relationships between variables within belief systems as reported by individual respondents. However, the use of this technique was extended to describe the characteristics of social systems (Russell 1999).

Russell (1999: 66) emphasises that the two advantages of this technique while researching entrepreneurship are: "(1) it generates a process-oriented description that links several variables related to the generation of entrepreneurial behaviours - this perspective permits the analysis of possible causal relationships between map variables and entrepreneurial outcomes as the process of entrepreneurship unfolds; and (2) it provides a holistic analysis of entrepreneurship-related variables to gain insights into how the variables may interact as a system to create entrepreneurial outcomes."

However, Ryan and Bernard (2000) assert that cognitive maps are better used with short phrases and words. As this research used self-administrated interviews (Cooper & Schindler 2003), the answers contained short phrases. Therefore, it is appropriate for the cognitive maps technique.

Cognitive maps are identified as a viable way of both examining the cognitive structures of entrepreneurs and revealing the differences between entrepreneurs and corporate entrepreneurs in their cognitive structures (Brännback & Carsrud 2009).

Huff (1990) suggests five uses for cognitive maps:

1. Maps that assess attention, association and importance of concepts. These maps seek to identify frequent use of related concepts and their association with other related concepts. Its aim is to unravel particular themes (Brännback & Carsrud 2009; Huff 1990).

2. Maps that show dimensions of categories and cognitive taxonomies. These maps help to categorise research data for pedagogic reasons in order to facilitate sense making and learning. This type of cognitive map is used mainly for research and studies themes (Brännback & Carsrud 2009; Huff 1990).

3. Maps that show influences, causality and system dynamics. These maps draw casual relationships among cognitive elements. They are commonly used as mapping methods in organisation theory and strategic management studies (Huff 1990).

4. Maps that show the structure of argument and conclusion. These maps tend to show the complexity and logic behind conclusions and decision-making. In this type of maps, the entered text us seen as a whole, which shows the cumulative impact of varied evidence and links between chains of reasoning. (Brännback & Carsrud 2009; Huff 1990).

5. Maps that specify schemas, frames and perceptual codes. These maps work on linguistic structure and cognitive psychology. This is the most complex map, and is created as a combination of the former maps Maps that specify schemas, frames and perceptual codes. This is the most complex map, and is created as a combination of the former maps (Huff 1990).

As suggested by Brännback and Carsrud (2009), this research used cognitive maps as a tool for categorising the collected data.

5.6.5.1 Steps in Creating Cognitive Maps

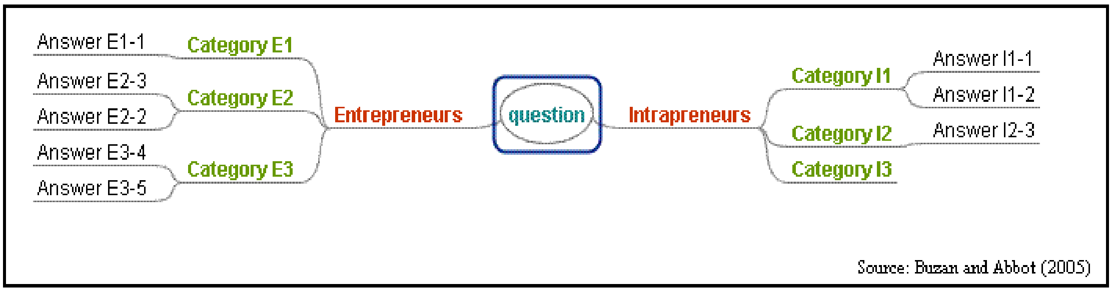
When creating a cognitive map, the following steps should be employed (Buzan & Abbott 2005):

1. Start in the centre of a blank page
2. Write down the central idea or theme
3. Draw main branches from the central theme
4. Write one key word on each branch. This key word should be the subject or important theme of that branch
5. Repeat stage 4, creating more branch levels at each step.

Figure 5.4 demonstrates a cognitive map with three levels.

The maps can be compared to physical maps, wherein the greater the distance between two themes, the more dissimilar they are (Ryan & Bernard 2000).

Figure 5-4: Cognitive Map Example



The cognitive maps in this research were used only in the first two stages of the data analysis, organising and categorising the data.

5.7 Validity and Reliability

> *"Data are useless if they are not accurate and reliable" (Hedrick, Bickman & Rog 1993: 80).*

Reliability and validity are fundamental concerns of quantitative research. In the last decade, though, the qualitative paradigm researchers recognised that they needed reliability and validity measures. However, these measures are less applicable, and they had to be redefined (Golafshani 2003; Sinkovics, Penz & Ghauri 2008). This section defines validity and reliability and focuses on how this research will address them.

Hedrick et al. (1993: 39-40) mention four types of validity that should be considered when designing a research project:

- Construct validity – the extent to which the constructs in the conceptual framework are operationalised successfully in the research study
- Statistical validity – the extent to which the study has used appropriate design and statistical methods to enable it to detect the effects that are present
- Internal validity – this concept applies to impact (cause-effect) questions and refers to the extent to which conclusions can be drawn
- External validity – the extent to which it is possible to generalise from the data and context of the research study to broader populations and settings.

The specific validity type should match the research question and its paradigm. For instance, for a descriptive question external and construction validity may receive more emphasis as the aim of the research is to develop a comprehensive view of the phenomenon being researched, while the cause-effect aspect may be less important (Hedrick, Bickman & Rog 1993).

However, Lincoln and Guba (1985) emphasise that these types of validity, although important, are more appropriate for quantitative paradigms. However, qualitative research should respond to different quality criteria :

- Truth Value – How can one establish confidence in the "truth" of the findings of a particular inquiry for the subjects with which and the context in which the inquiry was carried out?
- Applicability – How can one determine the extent to which the finding of a particular inquiry may have applicability in other contexts or with other subjects?

- Consistency – How can one determine whether or not the findings of an inquiry would be repeated if the inquiry would be repeated with the same subjects in the same context?
- Neutrality – How can one establish the degree to which the findings of an inquiry are determined by the subjects and conditions of the inquiry and not by the biases, motivation, interests or perspectives of the inquirer?

Davies and Dodd (2002: 280) stress that the one thing qualitative research should focus on is being rigour. They define rigour as something that "encompasses detachment, objectivity, replication, reliability, validity, exactitude, measurability, containment, standardization, and rule". Rigour should answer most of Lincoln and Guba's (1985) concerns, as mentioned above. Although rigour is defined as harshness and strictness (Krebs 2001), it is not suggested that research methods that allow flexibility should be treated as "sloppy". However, as rigour relates to reliability and validity, it should be in the essence of the research, as much as appropriate to the research method (Davies & Dodd 2002).

5.7.1 Quality Criteria in this Research

This section will broaden Lincoln and Guba's (1985) quality criteria and show how this research applies.

5.7.1.1 Truth Value / Credibility

Healy and Perry (2000) claim that trustworthiness in research is something that can be audited. This is done by creating a database and using quotations in the written report.

To show truthfulness one should prove credibility. This is done by carrying out the research in a way that will enhance the probability that the findings are credible, and that will show that the findings confirm the propositions studied (Lincoln & Guba 1985).

Sinkovics et al. (2008) suggest that credibility should be achieved in each part of the research, as presented in Table 5.6.

Table 5-6: Activities for achieving credibility

Research stage	Activities for achieving credibility	Treated in this thesis
"Getting started"	Build on established theory	See Literature review (Chapters 2 to 4)
Sample and context	Confirmation and refutation of responses and contexts	See sampling section above
Data collection and data preparation	Use multiple sources of evidence	
Data Analysis	Accuracy and completeness	See analysis section above
	Search for negative incidents	
	Search for plausibility of rival propositions	
Discussion	Establishing domain within which the study's findings can be generalised	See applicability / transferability below

Adapted from: Sinkovics et al (2008: 696-698)

This research is based on an established theory and known factors as shown in the literature review (chapters 2-4). It uses multiple sources of evidence by interviewing and surveying approximately 300 entrepreneurs and intrapreneurs. By doing so, it will establish credibility and truthfulness.

5.7.1.2 Applicability / Transferability

Lincoln and Guba (1985) claim that the meaning of applicability is the ability to demonstrate that the findings and results of the inquiry can be transferred to another context and population. However, they emphasise that transferability is not equal to generalisation as it will succeed only when both populations have similar cultures and perspectives.

To enable applicability and transferability, the researcher should state the theoretical parameters of the research, and show how the data collection and analysis will be guided by appropriate concepts and models. In addition, gathering data from more than one source can increase the applicability of the research (Marshall & Rossman 2006).

Approximately 300 entrepreneurs and intrapreneurs from Australia were approached to participate in this research and, although only 27 entrepreneurs responded, this meets the criterion of more then one source. An attempt will be made to try to illustrate the similarity between the participants. If established, the findings can be transferred to the entire population of entrepreneurs in Australia.

5.7.1.3 Consistency / Dependability

This is a problematic concept, as it assumes that the research can be replicated in the same context with no environmental change (Marshall & Rossman 2006). As this research seeks to learn from the entrepreneurs' experience, there is a high probability that any replication of the study, even with the same respondents, will not give the same results as the entrepreneurs gained more experience. Therefore, their understanding of venture failure may change.

5.7.1.4 Neutrality / Confirmability

To ensure that the research is valid, it is important that the research method be objective. This is accomplished by maintaining a distance between the researcher and the researched object, and by keeping the interviews and questionnaires objective by eliminating biased questions (Davies & Dodd 2002; Lincoln & Guba 1985; Morris, Kuratko & Covin 2008).

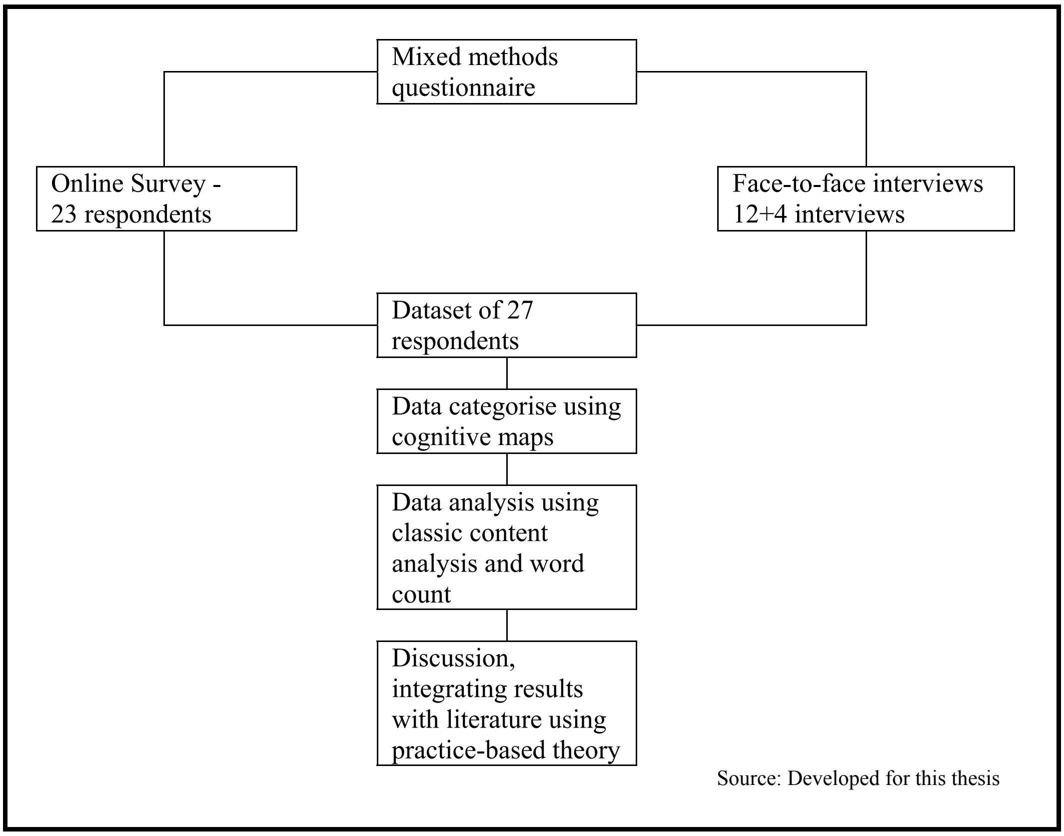
Most of the questions in the questionnaire (see Appendix 4) were open and the respondents were not obligated to choose an answer that may have been biased by the researcher in order to obtain the desired answers. Furthermore, as the anonymity of the respondents was maintained, the researcher did not build relationships with them, as might happen with the case-study method (Davies & Dodd 2002).

5.8 Research Methodology Flow in This Thesis

The research methodology in this thesis combined methods from qualitative and quantitative paradigms. For example, it used a survey (quantitative data collection method), though as the questionnaire had a qualitative nature (based on open ended questions) it became a qualitative survey. The research methodology flow in this thesis is described in Figure 5.5

The questionnaire for this study is based on the empirical scale employed by Stokes and Blackburn (2002). The researcher adapted this mixed methods questionnaire in an Australian context. Questions regarding business and new venture failure and about things to learn from it were added. This questionnaire was used for both data collection methods, the mixed methods survey and the face-to-face structured interviews.

Figure 5-5: Research Methodology Flow



The questionnaire was used as a structured interview with a control group of 4 entrepreneurs. An online mixed methods survey, using the same questionnaire, was distributed. 23 intrapreneurs and entrepreneurs answered the online mixed methods survey. Of the 23 participants (intrapreneurs and entrepreneurs), 19 provided their details for further interviews. Of the contacted respondents, after further contact, only 12 were available for face-to-face structured interviews. All structured interviews used the same questionnaire. The responses from the control group integrated well with that of the other face-to-face interview respondents, adding to validity and reliability.

The data from the mixed methods survey and the face-to-face structured interviews were combined, accepting Cooper and Schilder's (2003) clarification that in qualitative research, questionnaires are self-administrated interviews and can, therefore, replace face-to-face structured interviews.

The entire dataset was categorised using cognitive maps that were transformed into tables for appropriate use in the analysis and discussion chapters. The analysis used classic content analysis and word count techniques (Ryan & Bernard 2000).

The discussion compared the results and findings from the data analysis with the relevant academic literature, using practice-based theory. Practice-based theory converts the participants' narratives into academic theories (Rae 2004b).

This innovative research methodology does not follow one specific qualitative methodology technique (as case study or grounded theory research). Rather, it is a combination of qualitative and quantitative techniques that are used to strengthen the results of the research. As this is an exploratory research project, this methodology seemed most appropriate, even though it is not common.

5.9 Summary

This is a qualitative research project that explores the phenomenon of business and new venture failure. The study uses practice-based theory to translate the entrepreneurs' and intrapreneurs' experience into academic theory.

It uses multiple data collection methods to accumulate primary data and data from previous relevant research. Primary data was collected by means of an online survey and structured interviews. Ryan and Bernard (2000) defined a questionnaire that includes open questions as free-flow text. In addition, Cooper and Schilder (2003) stated that in qualitative research, questionnaires are self-administrated interviews and, therefore, can replace face-to-face interviews as a way of allowing a broader sample. Therefore, the analysis of the data treated the entire data set as data that came from structured interviews.

This study used purposive sampling methods, employing opportunity and snowball techniques. The opportunity technique was used to target online databases, and the snowball technique was used to find entrepreneurs and intrapreneurs to participate in the structured interviews. The sample size was 300 entrepreneurs and intrapreneurs from 2 databases.

The instrument used for the structured interviews and the online questionnaire was based on Stocks and Blackburn's (2002) questionnaire. It was adapted to an Australian context, and relevant questions were added.

The categorisation of the collected data was completed using cognitive maps. This is a creative and effective way of "note-taking". It is best used with short phrases and words (Ryan & Bernard 2000). As this research used self-administrated interviews (Cooper & Schindler 2003) the answers contained short phrases. Therefore, it was appropriate for the use of the cognitive maps technique. After the categorisation, the data analysis used classic content analysis and word count techniques (Ryan & Bernard 2000).

This chapter concluded with a discussion of the quality criteria used in this research, differing between validity and reliability in quantitative and qualitative research. In addition, it emphasised the importance of credibility, applicability, consistency and confirmability for a high quality study.

The next chapter is devoted to data analysis. The data will be analysed using cognitive maps for categorising and sorting the data, and classic content and word count techniques for the analysis.

Chapter 6 Data Analysis

6.1 Introduction

This chapter is dedicated to data analysis. To analyse the results of the study, practice-based theories were used. Therefore, the participants' direct responses were used in the analysis.

Multiple methods of data collection were used, including an online questionnaire and structured interviews. Cooper and Schilder (2003) stated that in qualitative research, questionnaires are self-administrated interviews and, therefore, can replace face-to-face structured interviews as a way to facilitate the creation of a broader sample. Therefore, the analysis of the entire data set was conducted as data collected from structured interviews.

Data categorisation was implemented using cognitive maps (see Appendix 5). To simplify use in the analysis, the cognitive maps were transformed into tables. The analysis used classic content analysis and word count techniques (Ryan & Bernard 2000).

The analysis was done in two levels. The first level of analysis compared the data within each of the groups of participants, entrepreneurs and intrapreneurs respectively. The second level consisted of a comparison of the data between the groups.

The questionnaire for this study is based on that designed by Stokes and Blackburn (2002). The original questionnaire was adapted to Australia and questions were added. However, the original questions were retained. Therefore, several questions were less relevant to this study, although they were kept in the questionnaire. These questions were not analysed. Table 6.1 provides a summary of the questions that were not analysed and gives the reasoning behind this decision.

Table 6-1: Questions that were not Analysed

Question No.	The question	Reason for question not being analysed
10,11	The Major product and service of the company.	Kept from original questionnaire, not relevant to this research
12	Percentage of business in different markets.	Kept from original questionnaire, not relevant to this research
13	Number of owners in the business.	Kept from original questionnaire, not relevant to this research
14	Decision in the business was made by.	Kept from original questionnaire, not relevant to this research
36,51	Asked for advice.	Not enough responses
37,52	Financial situation of the business when decided it was failing.	Kept from original questionnaire, not relevant to this research
38,53	What happened in the case of insolvency.	Kept from original questionnaire, not relevant to this research
41,56	When you decided that the start-up company was failing, what did you do.	Kept from original questionnaire, not relevant to this research
42,57	What was your main reason for choosing this action.	Kept from original questionnaire, not relevant to this research
43,58	What did you do after leaving or closing the start-up.	Kept from original questionnaire, not relevant to this research
49,63	If you are planning to own / manage another start-up, who will you ask for advice.	Not enough responses

The analysis was done according to the order of the literature review themes and not the order of the questionnaire. Therefore, the structure of this chapter is presented in Figure 6.1.

Section 6.2 summarises the participants' demographic information, comparing it with Australia's population. In addition, the section divides the participants between entrepreneurs and intrapreneurs.

Section 6.3 analyses the participants' experience.

Section 6.4 analyses reasons to start new ventures, as suggested by the participants. The section provides a comparison between the reason each participant had for starting a new venture and the importance the participants offered to a given list of reasons.

Section 6.5 analyses how entrepreneurs and intrapreneurs perceive new venture and business success and failure. It tests the difference between the definitions offered by entrepreneurs and intrapreneurs. In addition, it tests the difference between business and new venture success definitions in each group, suggesting that entrepreneurs observe new ventures and business as identical, while intrapreneurs make a distinction between them.

Section 6.6 examines how entrepreneurs and intrapreneurs decide that their new ventures have failed, and an attempt is made to establish a connection between each participant’s definition of new venture and business failure and the way he or she decided that it had failed.

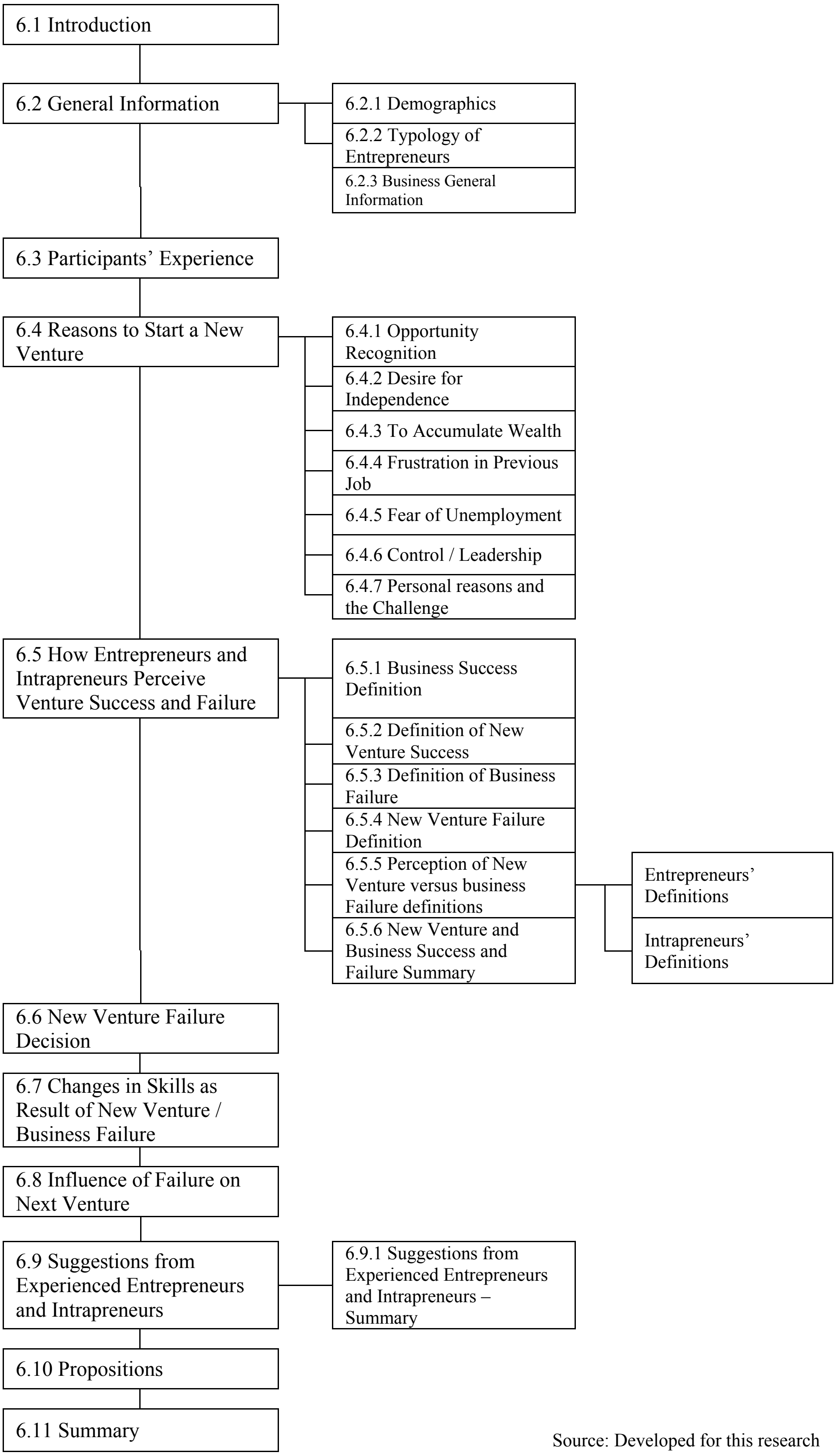
Section 6.7 analyses entrepreneurial learning. It examines the participants’ evaluation of the change in their skills after the failure of their venture, suggesting that when they advise that they have developed higher skills, they are actually illustrating that they have learned from the experience.

Section 6.8 analyses the influence that failure in a business or a new venture had on starting another business or new venture.

Section 6.9 concludes the analysis with a list of suggestions that experienced entrepreneurs and intrapreneurs give to novice and nascent entrepreneurs and intrapreneurs. These suggestions are based on experiences that the participants take with them or prefer to avoid repeating in their next venture. Furthermore, the participants gave advice to novice entrepreneurs and intrapreneurs. Some of these suggestions can be found in the reasons for failure advanced in the academic literature. However, there are new suggestions that add to the body of knowledge.

Section 6.10 depicted the acceptance and / or rejection of the research propositions.

Figure 6-1: Data Analysis – Chapter Structure



Source: Developed for this research

6.2 General Information

As mentioned above, the data was collected by face-to-face structured interviews and an online survey using the same mixed methods questionnaire.

The questionnaire was sent to 300 entrepreneurs and intrapreneurs in Australia, with a participant rate of 9%. Of the 23 participants who answered the online survey, 19 provided their details for further interviews. Of the contacted respondents, 12 were available for interviews. A control group of four entrepreneurs were identified and the same structured interviews were conducted. The responses from the control group integrated well with that of the other face-to-face interview respondents, adding to validity and reliability.

Three of the participants failed to complete the entire questionnaire, though they did complete the most important questions.

6.2.1 Demographics

Eighteen male and six female participants answered the questionnaire. Three of the participants failed to identify their gender. The age of the participants varied between 25 and 64. Table 6.2 depicts the number of participants in each age range.

Table 6-2: Age Range

Age Range	25-34	35-44	45-54	55-64	Not stated
No.	4	8	6	6	3

Sixty-three percent of the participants hold a postgraduate degree; this is a higher level of postgraduate degree holders than that which exists among the general population in Australia as reported by Australian Bureau of Statistics (2010), as shown in Table 6.3.

Table 6-3: Highest Education Level by Age

Age Range		25-34	35-44	45-54	55-64
Postgraduate	Participants	75.0%	62.5%	83%	66.6%
	Population (2009)	9.4%	9.8%	10.3%	9.0%
Batchelor Degree	Participants	0.0%	0.0%	17%	33.3%
	Population (2009)	23.9%	16.8%	13.6%	8.5%
TAFE	Participants	25.0%	12.5%	0.0%	0.0%
	Population (2009)	11.3%	12.4%	12.0%	10.0%
High School	Participants	0.0%	25.0%	0.0%	0.0%
	Population (2009)	17.1%	13.9%	10.9%	10.1%

Source: Australian Bureau of Statistics (2010)

It is possible that the databases that were chosen for this research contain a higher proportion of people who continued studying to higher levels and, therefore, the results contain a much higher proportion of educated people than the average population in Australia.

6.2.2 Typology of Entrepreneurs

The majority of the entrepreneurs and intrapreneurs who participated in the study are habitual entrepreneurs (22 of 24). Of the four inexperienced entrepreneurs and intrapreneurs, one is a novice entrepreneur in his first year as a business owner / manager, one has had his business for five years and two have been managing their businesses for nine years. Only one of these more experienced entrepreneurs stated that he purchased seven businesses prior to owning his current business, though this is the first business that he had started from scratch. As this is their first venture / business, these novice entrepreneurs have not experienced venture failure.

Questions 7 and 31 classify the differentiation between entrepreneur and intrapreneur. Question 7 focuses on the current venture, while question 31 regards the entire endeavour. Table 6.4 provides a summary of the answers to both questions

Table 6-4: Entrepreneur's Type

Entrepreneur’s type	Q7 No. of respondents	Q31 No. of respondents
Entrepreneur	11	17
Intrapreneur	15	5
Manager	1	
Both		2
Did not answer		3

The participants were selected from WiT (Women in Technology) from Queensland and Deloitte’s “Technology Fast 50” databases, approximately 50% from each database respectively. Deloitte’s database includes mostly big organisations. Therefore, the majority of the participants from this database are currently intrapreneurs. However, if categorised according to their experience, these people could be referred to as entrepreneurs. Thus, for this study the participants were allocated to entrepreneurial type according to their experience (Table 6.4).

Serial and portfolio entrepreneurs and intrapreneurs are distinguished from one another by the number of ventures they manage at the same time. Those in the serial category will manage only one venture at any given time, while the portfolio types will manage more than one. To the question, 'Do you manage more than one business or venture simultaneously?', ten participants answered 'no' (serial entrepreneurs) and nine answered 'yes' (portfolio entrepreneurs). Two are novice entrepreneurs or intrapreneurs (managing their first venture for less than four years) and two seem to be one-time entrepreneurs or intrapreneurs (managing their first venture for five to nine years).

6.2.3 Business General Information

The primary activities of the businesses studied in this research varied. Table 6.5 demonstrates the primary activities of the participants' businesses. Most of the businesses are involved in the high-technology sector.

Table 6-5: Business Main Activity

Business Activities	Number of businesses
Banking and finance	2
Biotechnology	1
Communications / network	6
Information Technology / internet	5
Manufacturing	3
Consulting	2
Healthcare	1
Personal and Other Services	3
Property and Business Services	3

This result may be related to the databases that were utilised (Deloitte's "Technology Fast 50" and WiT - Women in Technology), as they are technology-based databases.

Table 6-6: Number of Employees

Business Type	No. of Employees	No. of Businesses
Start-up	0-4	12
	5-9	3
	10-19	3
Mature business	20-49	5
	50-249	2
	250 or More	2

The number of employees in a business can indicate whether the business is a start-up or mature. Table 6.6 indicates that 18 of the businesses are start-ups and nine are mature businesses that include new ventures.

6.3 Participants' Experience

The majority of the participants in the study had more than five years experience. Furthermore, 52% had more than eleven years of experience as business and / or new venture managers and / or owners.

To establish the extent of their experience, the participants were asked how many businesses they had owned or managed, how many of them had succeeded and how many had failed. Similar questions were asked regarding new ventures.

The majority of respondents owned or managed between two and ten businesses, with only 18% owning or managing a single business (Table 6.7)

Table 6-7: Number of Participants and the Number of Business they Started and Managed

Number of businesses	Started	Inherited	Purchased	Managed	Succeeded	Failed
0	1	24	17		2	11
1	11	1	7	5	11	11
2	5	1		7	5	4
3	1		1	4	2	
4	2			2	2	
5	1			5	3	1
6	2			1		
7			1		1	
8	1			2		
9						
10	2			1	10	

Regarding the number of new ventures the participants had started, six (22%) stated that they had not started any new venture, and six (22%) had started only one. The rest of the participants had started between two and thirty new ventures. One of the entrepreneurs, who had started thirty ventures, said that "*to start a new venture is not the problem; to manage it successfully is the tricky part*".

Although 22% of the participants had not started a new venture, only 7% did not manage any new venture. Thirty-three percent of the participants managed only one venture, and the rest have managed between two and thirty new ventures (Table 6.8).

It is interesting to see that, in one case, the participant answered that he had started five ventures and managed only four, while only one has succeeded. This may be as a result of a failure at an early stage, at which point the participant feels that he had not yet got to the stage of managing it.

Table 6-8: Number of Ventures that the Participants Started and Managed

Number of Ventures	Started	Managed	Succeeded	Failed
0	5	2	6	13
1	6	8	9	7
2	3	3	4	4
3	4	4	3	
4	2	3	1	
5	2	1	1	
6	2	2		
7				
8				
9				
10	1	1	1	
11+	1	1		1

One objective of the study is to identify what can be learned from new venture failure. Therefore, it is important to ensure that the entrepreneurs and intrapreneurs have experienced business and new venture failure. Altogether, 60% of the participants reported that at least one of their businesses had failed, and 48% reported that at least one of their new ventures had failed (Table 6.8). It was expected that participants who had failed businesses would experience failed ventures as well. However, some of those participants reported that they did not have any failed ventures.

6.4 Reasons to Start a New Venture

The question, “What are the reasons for starting your own business?”, was asked twice. The first time was as an open-ended question that allowed the entrepreneurs and intrapreneurs to express the reasons for which they started new ventures, and the second as a question that asked the participant to rate the most common reasons to start a new venture as demonstrated in former studies (Bruno, McQuarrie & Torgrimson 1992; Stokes & Blackburn 2001).

This question offered five reasons for starting a new venture. The participants had to rate each reason from 1 (not important) to 5 (very important). Table 6.9 provides a summary of the answers to this question.

From the evidence displayed in this table, it is apparent that the majority of the participants marked “saw excellent opportunity” and “desire for independence” as the most important reasons for starting a new venture. It is important to acknowledge that 84.0% saw “fear of unemployment” as the least important reason (68.0% defined it as “not important at all”). Another point of significance is that the responses to “frustration in previous employment” were either “not important” or indifferent.

Table 6-9: Importance of Reasons for Starting a New Venture

Importance	Saw excellent opportunity	Desire for independence	To accumulate wealth	Frustration in previous job	Fear of unemployment
1-2	0.0%	12.0%	4.0%	36.0%	84.0%
3	16.0%	4.0%	28.0%	40.0%	8.0%
4-5	84.0%	84.0%	68.0%	24.0%	8.0%

The questions discussed above asked for reasons for opening new ventures, without inquiring whether the venture is located within an organisation or a stand-alone start-up, leaving it undefined in purpose. Therefore, there are some interesting differences between the answers given by entrepreneurs and those provided by intrapreneurs. Table 6.10 presents the same data as Table 6.9. However, the distinction has been made between answers that were given by entrepreneurs and those given by intrapreneurs.

Table 6-10: Importance of Reasons for Starting a New Venture Separated into Entrepreneurs and Intrapreneurs

Importance		Saw excellent opportunity	Desire for independence	To accumulate wealth	Frustration in previous job	Fear of unemployment
1-2	Intrapreneur	0.0%	16.7%	16.7%	33.3%	66.7%
	Entrepreneur	0.0%	10.6%	0.0%	36.8%	89.5%
3	Intrapreneur	33.3%	0.0%	33.3%	33.4%	16.6%
	Entrepreneur	26.5%	5.3%	26.3%	42.1%	5.3%
4-5	Intrapreneur	66.7%	83.3%	50.0%	33.3%	16.7%
	Entrepreneur	89.5%	84.1%	73.7%	21.1%	5.3%

Intrapreneurs and entrepreneurs differ in their attitude towards fear of unemployment (shaded) and the importance they accorded to opportunity recognition (shaded). Although most of the entrepreneurs and intrapreneurs did not perceive fear of unemployment as an important reason to start a new venture, the intrapreneurs rated it more highly. This can be explained by the fact that, as intrapreneurs are starting their new venture within an organisation, they may fear that if they do not come up with new ideas and new ventures they may lose their position. On the other hand, they may fear becoming unemployed if the venture fails.

Table 6-11: Reasons to Start Your Own Business – Participants' Direct Responses

Category	Entrepreneurs	Intrapreneurs
Saw excellent opportunity	• Capitalise on value of new technologies available • Superior knowledge and offer of customer service • Opportunity to implement technology • There was a gap in the market • Clear market niche • Had an opportunity to start the business from scratch	• Clear market niche • Opportunity • Saw a need • Had an opportunity to start the business from scratch
Desire for independence	• Independence • Wanted freedom from 9-5 • Didn't want to work for another company	• Independence • The financial freedom from rat race of 9-5 around the world • Work for myself • I don't have to go through backstabbing & dirty office politics • Freedom and flexibility with my time in order to meet the needs of my children
To accumulate wealth	• Promise of long term large profit / windfall • Capitalise on value of new technologies available • Wealth creation • The potential to make lots of money • Get very rich • Desire to be rich • The chance to increase wealth	• Financial freedom • Make your own money
Frustration in previous job	• To fire my boss (employer)	• I don't have to go through backstabbing & dirty office politics
Fear of unemployment		• Extremely difficult for me to find employment in the formal labour market
Personal issues	• Self-actualisation and satisfaction of doing something worthwhile • Glory of success • Chance to innovate • Health and happiness • To become self-sufficient • Transition to retirement • Ambition • Being able to use my own thinking - creativity • To participate in an activity that I like • Enjoy the challenge • The challenge of making it succeed • It's lots of fun • Enjoyment of the journey	• Leave a legacy • Build something to leave behind • Wanted more than a job • Ambition • Adventure
Control / Leadership	• In control of equity • Greater control • Job security • Leading people in a way that they enjoy or get a challenge from the experience • Need for control	• Make informed decisions • I am my boss & responsible for myself • Want to make our own decisions • Want to be responsible for the business

Respondents in both categories accorded “opportunity recognition” and “desire for independence” the same degree of importance (84.0%). However, when separating entrepreneurs from intrapreneurs, the entrepreneurs placed more emphasis on “opportunity recognition” while intrapreneurs saw “desire for independence” as more important.

When asked to state the reasons for starting their own ventures, some of the participants’ answers could be categorised in line with the five suggested reasons displayed in Table 6.9. However, the entrepreneurs and intrapreneurs had more reasons that needed to be sorted into two additional categories: “control / leadership” and “personal issues”. Table 6.11 provides a summary of the reasons, sorted by categories, starting with reasons that can be described as correlating to the five reasons mentioned in Table 6.9. This table provides quotes from the entrepreneurs’ and intrapreneurs’ answers.

6.4.1 Opportunity Recognition

Both intrapreneurs and entrepreneurs mentioned market need and specific market niche. In addition, entrepreneurs emphasised the importance of technology and knowledge opportunity. This can be explained by the contacts intrapreneurs have with a known customer’s database and is tied to the organisation’s products and services.

Such a high rating for opportunity recognition suggests that most of the entrepreneurs in Australia are opportunity entrepreneurs, while only one entrepreneur in this study can be defined as a necessity entrepreneur (opened a venture because of a need for employment). This is similar to the Global Entrepreneurship Monitor (GEM) 2006 results for Australia, which suggested that only 2.5% of the entrepreneurs were necessity entrepreneurs while the rest are opportunity entrepreneurs (Hindle, Hancock & Klyver 2006). The Comprehensive Australian Study of Entrepreneurial Emergence (CAUSEE) project, conducted by the University of Queensland in 2008, suggested that 9% of the nascent firms and 13% of young firms are necessity driven and not opportunity-driven (Davidsson et al. 2008). This is a higher percentage than is shown in this study. However, the results from this study may be biased due to the databases that were utilised (Deloitte’s “Technology Fast 50” and WiT Women in Technology). These databases may have a far higher proportion of opportunity-driven entrepreneurs than exist among the Australian population in general.

6.4.2 Desire for Independence

In relation to the desire for independence, both entrepreneurs and intrapreneurs expressed a need for freedom from working in a bureaucratic organisation, a need for independence and a need to work for themselves (Maritz & Beaver 2006). However, one of the intrapreneurs mentioned that the reason he would consider for starting a new venture is the need to leave the office politics behind him. This reason was given by an experienced intrapreneur (more than eleven years in the business), working in a big organisation (more than 250 employees).

This reason was not mentioned by any of the entrepreneurs. This can be explained due to the entrepreneurs in this study being habitual and experienced entrepreneurs and, therefore, not working as employees long enough to be bothered by this situation.

It seems that entrepreneurs and intrapreneurs want their independence in making decisions and developing their ideas and opportunities.

6.4.3 To Accumulate Wealth

"Wealth creation" was seen to be a very important reason to start a new venture, with 68% of respondents responding favourably to question 29.

In the open question, more entrepreneurs than intrapreneurs declared that they would open a new venture, as they wanted to become rich. As the intrapreneurs will start their new ventures in an established organisation, it is more likely that they will not become rich through their efforts. Rather, they will be more opportunity-driven and think less of accumulating wealth. Only 50% of the intrapreneurs rated this reason as most important, while 73.7% of the entrepreneurs saw it as very important. It is necessary to mention that two entrepreneurs said that becoming rich is the only reason to start a new venture.

6.4.4 Frustration in Previous Position

Most of the entrepreneurs and intrapreneurs rated the option "frustration in previous position" as "not important" or were "not persuaded". It seems that the two participants who gave this reason when answering the open question had negative experiences with their former employers. The first participant mentioned that he wanted to start his own venture to "*be able to fire his boss*", while the second one mentioned the need to get away from office politics.

6.4.5 Fear of Unemployment

Fear of unemployment may be seen as necessity-driven entrepreneurship. Only one intrapreneur (of all the participants) saw this as a reason to start a new venture. Interestingly enough, she rated this reason as "no persuasion". To this reason, she added the need to spend more time with her children, which can imply that she was searching for employment with time or other constraints that would enable her to balance her family / work time. Therefore, she should not be categorised as a necessity-driven entrepreneur.

6.4.6 Control / Leadership

Entrepreneurs and intrapreneurs desire to control and lead their ventures. They want to be able to make decisions and be responsible for their actions and results. This result supports Frederick and Kuratko's (2010) findings which suggest that entrepreneurs are driven by a strong need to exercise control.

6.4.7 Personal Reasons and the Challenge

The personal reasons can be divided into four sub-groups, as suggested in Table 6.12.

In this study, the data suggests that entrepreneurs and intrapreneurs are adventurers who want to experience some challenge in creating new ventures. In addition, they are rewarded by their satisfaction with the venture's results. Some of the intrapreneurs emphasised the importance of leaving a legacy behind them.

Only one entrepreneur said that the reason for starting her own venture is to make the transition to retirement. This could be due to her age (55 - 64). However, other participants in this age group did not suggest it.

Table 6-12: Personal Reasons for Starting a New Venture - Participants' Direct Responses

Legacy	• Glory of success • Leave a legacy • Build something to leave behind
Adventure / challenge	• Chance to innovate • Enjoy the challenge • It's lots of fun • The challenge of making it succeed • Adventure
Satisfaction	• Self-actualisation and satisfaction of doing something worthwhile • Glory of success • Health and happiness • Wanted more then a job • Ambition • To become self-sufficient • To participate in an activity that I like
Future	• Transition to retirement

6.5 How Entrepreneurs and Intrapreneurs Perceive Venture Success and Failure

This research differentiates between a new venture and an organisation. An organisation is a legal entity, while a new venture can be the whole organisation (as in a start-up), and therefore, a legal entity, or an entity embedded in a mature organisation. The new venture is usually a method of commercialising new products or services. Entrepreneurs who operate in new ventures that are embedded in mature organisations are titled corporate entrepreneurs or intrapreneurs. Table 6.13 depicts the different options of new ventures and business success and failure.

Table 6-13: Relationship between Business Failure and New Venture Success and Failure

		New Venture	
		Success	Failure
Business	Success	1	2
	Failure	3	4

In square 1, both venture and business succeed; this is the square in which every entrepreneur and intrapreneur wants to be.

In square 2, the new venture fails, while, the business succeeds. This will most likely happen in a mature business that contains ventures within it. However, depending on the definition of venture failure, it can happen in a start-up business, when the business will continue with a different venture.

In square 3, the venture succeeds while the business fails. This can happen with bad management or, for example, a new product that is so good that the business will not be able to fill the orders received, and will fail.

In square 4, both business and venture fails. This will most likely happen in a start-up business, in which the venture is the entire business. However, it can happen in a mature business as well, if the failure is big enough to drive the entire business to insolvency.

The participants were asked to define business success and failure and new venture success and failure. One entrepreneur answered that there is no such thing as venture failure, as failures are life's lessons. Once again, a new venture was not defined as a stand-alone venture or a venture embedded in an established organisation. However, only one entrepreneur mentioned that there is no difference between new venture failure or success and business failure or success.

There is no consensus within the academic literature on a single definition of business and new venture success and failure. Likewise, each entrepreneur and intrapreneur who participated in this study perceives business and new venture success and failure in a different way.

The definitions suggested by the participants can be divided into two main categories: successes and failures as defined by outsiders to the company (such as in the case of bankruptcy or unsatisfied stakeholders), or by the feelings of the entrepreneurs and intrapreneurs (such as in the case of a venture or a business meeting its goals or failing to meet them). This division is demonstrated in Tables 14 to 17.

The next four sections will broaden these definitions as perceived by entrepreneurs and intrapreneurs.

6.5.1 Business Success Definition

Business success definitions were organised into eight categories: satisfaction, profitability, cash, growth, business life cycle, management, goal achievement and founder. Table 6.14 provides a summary of business success definitions in the words of the participating entrepreneurs and intrapreneurs.

In most of the categories, the participating entrepreneurs and intrapreneurs agreed on a common definition with only goal achievement mentioned by the entrepreneurs alone. However, in each category there are minor changes between the entrepreneurs and intrapreneurs. This section will concentrate on the differences between these definitions.

Entrepreneurs and intrapreneurs who participated in the research defined business failure in terms of the satisfaction of outsiders. For instance, a successful business is a business with which the stakeholders / customers / clients are satisfied. The main difference between the entrepreneurs and intrapreneurs' definitions in this category is that the intrapreneurs defined it only in terms of the satisfactions of customers, while the entrepreneurs added the satisfaction of stakeholders and the employees. This difference can be attributed to the intrapreneurs not being in contact with the company's stakeholders, or in charge of most of the employees in the company.

In the categories of profitability, cash and growth, the only difference is that the entrepreneurs provided definitions that are more detailed. This was expected, as more answers came from entrepreneurs.

In the business life cycle category, entrepreneurs and intrapreneurs defined business success from two different viewpoints, exit and continue. Although using different words ("exit" by the entrepreneur and "continued after I depart" by the intrapreneur) the result was the same, as both the entrepreneur and the intrapreneur left the business. With regard to the second view, business continues, the entrepreneur saw it as continuing for at least one year, while the intrapreneur saw it on a bigger scale, defining business success as the enterprise becoming international.

Entrepreneurs defined a successful business as a business that achieved defined goals, while one intrapreneur defined a successful business as providing a "*job he enjoys*". This response is similar to that given by an entrepreneur who said that a successful business is a business that provided what he wanted, including satisfaction with the position.

Table 6-14: Business Success Definition - Participants' Direct Responses

Success decision made by	Category	Entrepreneurs	Intrapreneurs
Other people	Satisfaction of -	• Stakeholders • Customers • Repeating customers • Staff career Opportunities • Employees • Clients • Provide outstanding service to your clients • Never let the clients down	• Loyal customers • Happy customers
	Profitability	• Turned profitable in two years • Sustained • Satisfied profitability • Profit after ROI • Financially viable • Sustainable without the founder • At least get money back • Scalable • Commercial success	• Profit return • Continued profits • Company gets "stronger" • Financial rewards above your expectations
	Cash	• Ability to pay debts • Good / positive cash flow • Able to pay higher than average salaries	• Generates positive cash flow • Minimum is to get a life out of it
	Growth	• Continued growth in revenue • Continued growth in profit • Continued growth	• Continued growth
	Business life cycle	• Lasted more than a year • Exit	• Becomes international • Continues after I depart
Entrepreneurs and intrapreneurs	Goal achievement	• Branding • Sales • Values • Provided me what I wanted, in example income, was compatible with my lifestyle, satisfaction • Any defined target	• A job I enjoy
	Management	• Being able to employ other people • Keep your eye on ball at all times	• Procedures managed properly • Protocols managed properly
	Founder	• Making contribution to society • Innovation • Good learning	• Able to employ other people • Exciting developing businesses

Two interesting definitions of success given by entrepreneurs were “produced good learning” and “made a contribution to society”. The second definition was given by an entrepreneur who defined his business as being in the personal and other services field.

6.5.2 Definition of New Venture Success

The definitions of new venture success given by the participants of this study were divided into categories similar to those devised for business success definitions: satisfaction, profitability, cash, growth, venture life cycle, goal achievement and founder, with the categories market and product added. Table 6.15 provides a summary of the definition of new venture success in entrepreneurs’ and intrapreneurs’ words.

When defining new venture success, the differences between entrepreneurs and intrapreneurs’ answers are more explicit. The main difference between entrepreneurs and intrapreneurs arise because entrepreneurs perceive the venture as a basis for the creation and maintenance of a business, and actually do not distinguish between a new venture and a business. Some of the entrepreneurs even stated that they do not recognise the difference between new venture success and business success, as the venture and the business are the same thing. Therefore, entrepreneurs defined new venture success in terms that could fit business success as well, such as achieving break even point and speed of cash flow.

Conversely, intrapreneurs defined new venture success as managerial success, which means that they run it effectively.

In comparison with business success definition, entrepreneurs defined venture success as the success of their creativity and innovation, and of the product or service that is the outcome of the venture.

Both entrepreneurs and intrapreneurs defined the success of a new venture as success in achieving their goals, be it in building a business or in transforming ideas into opportunities.

Table 6-15: Definition of New Venture Success - Participants' Direct Responses

Success decision made by	Category	Entrepreneurs	Intrapreneurs
Other people	Satisfaction	• Of employees	
	Profitability	• Continued profitability growth • Make a profit • ROI • Break even • Make ongoing profit regularly • Show promise of financial rewords • Recover my capital	• Increased revenue • Increased profit • able to deliver value and revenue to the underlying business • ROI
	Cash	• If it is able to deliver value and revenue to the underlying business • Speed of cash flow	
	Growth	• In sales • In client numbers • In revenue • In Staff career opportunities • In profit	• Exponential growth • Fast growth
	Venture life cycle	• When another party values it enough to buy it at a price you think is ridiculous • Sell after a period	
	Market	• Attracted enough interest from the market	• Market potential versus customer response
Entrepreneurs and intrapreneurs	Goal achievement	• Build a business • Objectives met • Meets my personal work goals	• All those ideas and thoughts and plans coming to fruition
	Management		• Know the venture properly • Run it effectively • Proper research
	Founder	• Learned a lot	
	Product	• Created a new product	

6.5.3 Definition of Business Failure

Table 6.16 provides a summary of business failure definitions as given in participants' direct responses.

Chapter 2, section 2.4, contains four suggested definitions of business failure: discontinued for any reason, bankruptcy, failing short of goals and closure for financial reasons. In this study, the participants agreed with the last three definitions, though none stated that every closure of a business is a failure. Furthermore, one of the entrepreneurs stated that, as long as he learned from his mistakes, rose up and started a new business, the former business was not a failure.

Both entrepreneurs and intrapreneurs agreed that business closure as a result of bankruptcy, insolvency, administration or liquidation is a failure. Furthermore, they agreed that a business fails if it is sold at a price below its true value, confirming the second and third definitions from the literature review.

The last definition in the literature was falling short of goals. Entrepreneurs and intrapreneurs suggested that they felt that their business failed when it did not achieve its goals, or they found a crucial flaw in the business plan, or even if it was just less successful than they hoped it would be.

The definition falling short of goals can include customers' dissatisfaction with the product / service / price. Although, in such a case, the customers and not the entrepreneurs or intrapreneurs will indicate that the business is failing, as one of the business goals is to sell and have returning and loyal customers, this definition of failure is adequate for this category.

It is important to emphasise that when entrepreneurs and intrapreneurs define business failure as falling short of goals, they do not necessarily consider the financial state of the business, unless their goal was to succeed in making a defined amount.

In addition to these three categories, the participants in this study added definitions that had to be categorised separately. Both groups agree that a business fails when there is a lack of cash and, therefore, the business cannot pay its employees and suppliers. This lack of cash causes a financial hardship though it does not necessarily cause a business closure.

The last definition of failure that both participants' groups agree on is failure that is related to the founders and owners. In this category, failure is defined as owners' greed, lack of respect for workers and incompetent managers. This is a very personal feeling of the entrepreneurs and intrapreneurs, which means that for them failure is being unsuccessful in managing their businesses.

Table 6-16: Business Failure Definition - Participants' Direct Responses

Failure decision made by	Category	Entrepreneurs	Intrapreneurs
Other people	Business closure - Bankruptcy	• Bankruptcy • Going in to voluntary administration • Liquidation • Shutdown	• Insolvency • Administration • Liquidation
	Business closure – financial reasons	• When you are unable to sustain viability and before going into receivership, sell or close down • Sell at distress price • Inability to continue as a concern	• Company 'winds up' / stops operating • Lose your business
	Falling short of goals	• Growth in the number of unhappy customers	• Customers are disgruntled with products, service or prices • Disloyal Customers
	Profitability	• Failure to achieve profit • Insufficient customer numbers to sustain break even over time	
	Cash	• Lack of sustainable cash flow • Being unable to pay suppliers / employees etc • Lost original capital • The inability to pay ones debts when and where they fall due • Failure to recover your investment	• Unable to pay suppliers • Unable to pay employees • Financial hardship • Need to find something else to live
	Declining	• In sales • In staff numbers	
	Management	• Inability to provide structure and systems to your organisation's Human Resource • Failing to be commercially sustainable	
Entrepreneurs and Intrapreneurs	Falling short of goals	• Discovering a crucial flaw in your business model	• The business does not achieve the goals and aims it was meant to • Less successful than hoped
	Founder	• Greed on the owner's part • Lack of respect for the workers • Re-entering employment • Manipulating the clients and burning 7- 10 year relationships because of money	• Incompetent manager • Not aligning your plan to the staff of your business
	Management		• Not managed properly
	Personal Issues	• Lack of vision • Start to pursue a new business • Giving up the effort • Guilt • Embarrassment • Caused stress in my life • Wasn't creatively satisfying	
		• There is no such thing as business failure - failures are life's lessons	

The difference between entrepreneurs and intrapreneurs appears in the following business failure categories. Intrapreneurs saw a failed business as a business that is not managed properly. As intrapreneurs may not be the managers of the business, they may blame the managers for the failure of the business. While entrepreneurs who manage their own business are less likely to define that as a business failure, they might learn that they should not manage a business, as they may not have the characteristics needed to do so.

Entrepreneurs emphasise profitability, defining business failure as a failure to reach the break even point and make a profit from the business. None of the intrapreneurs measured business failure on the basis of profit. The reasoning may be that, as the intrapreneurs' ventures are not the whole business, the profit of the entire business is not their main concern.

In addition to profitability, some entrepreneurs defined business failure as declining sales and staff numbers. Declining staff numbers can be the result of an insufficient cash flow, where the entrepreneur decided to keep the company and tried to save it by dismissing some of the employees. Although the entrepreneurs might try to save the business, they still consider it to be a failed business.

The last category that is unique to entrepreneurs is disappointment with themselves. Some entrepreneurs defined business failure as the demise of a business that suffer from a lack of vision and creativity, a business that made them feel guilt and embarrassment and which they just decided to stop making the effort to run.

6.5.4 New Venture Failure Definition

Table 6.17 provides a summary of new venture failure definitions in entrepreneurs and intrapreneurs' words. Entrepreneurs and intrapreneurs are unanimous in their definitions of venture failures attributed to finance issues. This includes closure for financial reasons, failure to achieve break even or a return on investment (ROI) or just failure to generate enough cash to pay bills. However, in the case of a new venture, the closure may have occurred for another unspecified reason. For example, the organisation decided to abandon the venture for management reasons. In a separate question, the participants were asked how they decide that a venture is failing. One of the participants answered that the venture fails when the organisation's management stops paying attention to it.

Table 6-17: New Venture Failure Definition - Participants' Direct Responses

Failure decision made by	Category	Entrepreneurs	Intrapreneurs
Other people	Business closure - Bankruptcy	• Liquidation • Bankruptcy	
	Venture closure – financial	• Unable to continue as a going concern • Not sustainable	
	Venture closure	• Shutdown, no future life • Abandoned in one form or another • Taken out and shot	• Cease to exist
	Profitability	• Didn't get to break even • Loss of capital • Lack of customers to break even, no sign of reaching this point	• Didn't reach ROI • Not being profitable
	Cash	• Inability to pay bills • Drain on cash from other businesses • Doesn't generate enough revenue to sustain itself (or me) • Failing to generate sufficient revenue and make a profit	• Not making any money
	Declining		• Not able to keep up with growth • No growth
	Dissatisfaction	• Poor employee satisfaction	
	Product	• The product in development was not viable for the market • If it is superseded by newer technology • The wrong market at the wrong time in the wrong place	• Superseded by newer technology
	Market	• Lack of customers • Unable to make a sale	• No response from customers • Unable to make a sale
Entrepreneurs and Intrapreneurs	Falling short of goals	• Didn't achieve goals • Going backwards • Not delivering on the potential of the idea • Discovering a crucial flaw in your business model	• Didn't achieve goals that we've set • Not meeting your expectations • The venture not being able to do what you thought it would do
	Founder	• Very little new learning	
	Management	• Vague vision and strategy	• Not doing proper market research
		• There is no such thing as new venture failure	

Like business failure, some of the entrepreneurs and intrapreneurs who participated in this study defined venture failure as falling short of goals.

When defining new venture failure, entrepreneurs referred to the product, emphasising that venture failure equates to the failure of the product. The product was not viable in the market or was developed for the wrong market at the wrong time and in the wrong place. A different definition suggested that a failed venture is one that marketed a product that was superseded by newer technology. These definitions are mentioned in the academic literature as reasons for venture failure and not as failure definitions (Gulst & Maritz 2009a; Lee & Lee 2005; McKenzie & Sud 2008). However, it is interesting to see that, although it is most likely that this was the reason for the venture's failure, the entrepreneurs saw it as the definition of venture failure. I assume that these entrepreneurs had a venture that failed for this reason and, therefore, this signifies a failed venture.

A different definition came from an intrapreneur who said that a venture failed when it had provided him with no meaningful learning. Another entrepreneur offered this definition as well, though, he did not repeat it in the interview and consequently it is not mentioned in the data. The same entrepreneur who said that there is no such thing as a failed business repeated this answer with regard to venture failure. It is interesting to mention that this entrepreneur claimed that she never had a failed business or venture, stating that: "*For me there is no such thing as failure. When things do not work out as planned, then I review the reasons and ask what should be done differently to ensure that I do not make the same mistakes. I pick myself up and move on. 'Failure' is life's lessons*".

6.5.5 Perception of New Venture versus Business Failure Definitions

No distinction is made in the academic literature between business failure and new venture failure, suggesting that a new venture is equal to a business (as in the case of start-ups). However, this research targeted entrepreneurs and intrapreneurs and distinguished between new ventures embedded in mature businesses and new ventures that are in themselves the business (start-up). An attempt was made to determine whether or not there is a difference between failure definitions for business and new venture failure.

6.5.5.1 Entrepreneurs' Definitions

When asking entrepreneurs for their definition of venture failure, it is most likely that their definitions of venture failure will be similar to those which they advanced in relation to business failure. Two of the entrepreneurs used the phrase "same as before", while another just said that he had answered it previously. Tables 6.18 and 6.19 respectively provide summaries of the similarities and differences in the definitions of new venture and business failure.

Table 6-18: Comparison between Business and New Venture Failure Definitions, as Suggested by Entrepreneurs – Similarities (Participants' Direct Responses)

Category	Business Failure	New Venture Failure
Business closure - bankruptcy	• Bankruptcy • Going into voluntary administration • Liquidation • Shutdown	• Liquidation • Bankruptcy
Closure – financial reasons	• When you are unable to sustain viability and, before going into receivership, sell or close down • Sell at distress price • Inability to continue as a concern	• Unable to continue as a going concern • Not sustainable
Cash	• Lack of sustainable cash flow • Being unable to pay suppliers / employees etc • Lost original capital • The inability to pay one's debts when and where they fall due • Failure to recover your investment	• Inability to pay bills • Drain on cash from other businesses • Doesn't generate enough revenue to sustain itself (or me) • Failing to generate sufficient revenue and making profit
Profitability	• Failure to make a profit • Insufficient customer numbers to sustain break even over time	• Didn't get to break even • Loss of capital • Lack of customers to reach break even point, no sign of reaching this point
Falling short of goals	• Discovering a crucial flaw in your business model	• Discovering a crucial flaw in your business model
Management	• Lack of vision • Inability to provide structure and systems to your organisation's Human Resource • Failing to be commercially sustainable	• Vague vision and strategy

When entrepreneurs defined failure for financial reasons variously as bankruptcy, closure for financial reasons, profitability or cash flow, they did not differentiate between venture failure and business failure. This seems reasonable as, in their case, the venture is the business and when the venture fails financially so, by definition, does the entire business. This is in accord with the information contained in Table 6.13 which suggested that in a start-up business the failure of the venture is equal to the failure of the business (square 4)

The similarity of this definition to falling short of goals exists because the entrepreneur wrote that ‘venture equals business’. Therefore, the definition of failure is the same as that which he provided for business failure. Other entrepreneurs use this definition mainly to define venture failure and not business failure.

The last similarity is with failure definitions that are connected to management. Once again, as the venture is the business, if there are management issues they will be connected to the business as well as to the venture. In both cases, the entrepreneurs attributed venture and business failure to lack of management skill and vision.

Table 6-19: Comparison between Business and New Venture Failure Definitions, as Suggested by Entrepreneurs – Differences (Participants' Direct Responses)

Category	Business Failure	New Venture Failure
Declining	• In sales • In staff numbers • Growth in unhappy customers	
Personal issues / Founder	• Guilt • Embarrassment	
	• Start to pursue a new business • Giving up the efforts	
	• Caused stress in my life • Wasn't creatively satisfying	
	• Greed on the owner’s part • Lack of respect for the workers • Re-entering employment • Manipulating the clients and burning 7 - 10 year relationships because of money	• Very little new learning
Falling short of goals		• Didn't achieve goals • Going backwards • Not delivering on the potential of the idea
Venture closure		• Shutdown, no future life • Abandoned in one form or another • Taken out and shot
Dissatisfaction		• Poor employee satisfaction
Market		• Lack of customers • Unable to make a sale
Product		• The product under development was not viable for the market • If it is superseded by newer technology • The wrong market at the wrong time in the wrong place

Entrepreneurs defined a failed business as a business that had suffered from declines in sales, and in the numbers of staff and customers. However, none of them applied these reasons to venture failure. This could be the result of the idea that when entrepreneurs think about sales, employees and / or customers, they think about the venture as a business, and not as a new venture as described above in Table 6.13.

A different category of failure definition attributed to business failure and not to venture failure is personal issues. Entrepreneurs defined business failure in terms of their personal feelings, as guilt and embarrassment. One entrepreneur defined business success as employee and customer satisfaction. This could explain why, when his venture failed, he felt guilt and embarrassment, as he had let down people who depended on him.

In contrast, entrepreneurs defined a failed venture as a venture in which the owner became too greedy, demonstrated a lack of respect for the employees and / or started manipulating the customers, all as a result of a desire to get rich. The entrepreneur who defined business failure using this definition had a partner in the business, and it seems that she had a bad experience with the partnership.

When defining venture failure, entrepreneurs placed more emphasis on the definition falling short of goals. Entrepreneurs defined a failed venture as a venture that did not achieve its goals and did not deliver the potential of the idea. A different approach to venture failure was suggested by an entrepreneur who defined a failed venture as a venture from which he did not learn anything. This definition and the definitions categorised as falling short of goals are exceptional, as they do not refer to the financial situation of the business. Although the business can be thriving, the entrepreneurs do not feel that it achieved their goals, or that they learned enough from it.

In addition to falling short of goals, entrepreneurs defined a failed venture as a venture that was abandoned or shutdown. The entrepreneur who defined venture failure in this way had five businesses and when he felt that the venture was failing he abandoned it and started a new venture (or project in his words) in the same business. Once again, this is an example of the situation described in square 2 of Table 6.13.

Another category of definitions that applies only to venture failure was definitions related to products. The product is the venture, it was the reason to start it and, therefore, when it fails the venture is defined as a failure and not the business. The entrepreneurs who defined venture failure in this way were very much technology-oriented when answering all the questions in the questionnaire.

6.5.5.2 Intrapreneurs' Definitions

The intrapreneurs who participated in this study differentiated more clearly than the participating entrepreneurs between new venture failure and business failure (see Table 6.15 for comparison between new venture and business failure). For example, when talking about business closure and new venture closure, the intrapreneurs defined business failure that ended in business closure as being related to financial outcomes, bankruptcy or loss of the business (without administration). However, when talking about new venture failure they defined it as "Ceasing to exist", without mention of finance issues, or the closure of the business.

Table 6-20: Comparison between Business and New Venture Failure Definitions, as Suggested by Intrapreneurs - Participants' Direct Responses

Category	Business Failure	Intrapreneurs
Cash	• Unable to pay suppliers • Unable to pay employees	
	• Financial hardship • Need to find something else to live	• Not making any money
Falling short of goals	• The business doesn't achieve the goals and aims it was meant to • Less successful than hoped • Customers are disgruntled with products, service or prices • Disloyal customers	• Didn't achieve goals that we've set • Not meeting your expectations • The venture not being able to do what you thought it would do.
Management	• Not managed properly	• Not doing proper market research
Manager	• Incompetent manager • Not aligning your plan to the staff of your business	
Business closure – bankruptcy	• Insolvency • Administration • Liquidation	
Business closure – financial reasons	• Company 'winds up' / stops operating • Lose your business	
Venture closure		• Ceases to exist
Profitability		• Did not reach ROI • Not being profitable
Growth		• Not able to keep up with growth • No growth
Market		• No response from customers • Unable to make a sale
Product		• Superseded by newer technology

The two categories in which the intrapreneurs defined new venture and business failure in similar words were cash and falling short of goals. However, when defining business failure the intrapreneurs defined it in terms of the business not generating enough money to pay suppliers and employees, while the failure of a new venture was defined as the concern not making enough money in general.

It seems that, as intrapreneurs may not be the managers of the business, they distinguish more clearly between new venture failure and business failure.

Intrapreneurs tend to associate business failure with the manager of the business, which might not be them. Some intrapreneurs defined business failure as a managerial issue, where they defined a business failure as a failure in the management of the business.

When defining new venture failure, the intrapreneurs' defined failure as not reaching ROI, in contrast with entrepreneurs who defined venture failure as failing to reach break-even point.

6.5.6 New Venture and Business Success and Failure Summary

Using word count techniques, these definitions have been extracted from the data collected in this research, as presented in Table 6.21, and sorted according to the number of appearances made by each in the data (see Appendix 6 for word count results).

Entrepreneurs did not distinguish between new ventures and businesses when defining success and failure, while intrapreneurs looked at the business and the new venture from different angles.

While most participating intrapreneurs defined a failed business as a business that was not managed properly, they defined a failed new venture as a venture that was not growing (closer to the business and new venture failure definition of the participant entrepreneurs).

There are more definitions in the intrapreneurs' column, as the answers were less significant. This could be a result of having fewer intrapreneurs among the participants.

Table 6-21: Business and New Venture Success and Failure Definitions

		Entrepreneurs	Intrapreneurs
Business	Success	• A successful business is a business that makes a sustainable profit	• A successful business is a business that achieves its goals
		• A successful business is a business that is able to pay its bills	• A successful business is a business that has satisfied clients
	Failure	• A failed business is a business that does not make a profit and suffers from a lack of cash	• A failed business is a business that is not managed properly
		• A failed business is a business that is falling short of goals	• A failed business is a business that is falling short of goals
New Venture	Success	• A successful new venture is a profitable new venture	• A successful new venture is a growing venture
		• A successful new venture is a growing venture	
	Failure	• A failed venture is a venture that does not make a profit and suffers from a lack of cash	• A failed venture is a venture that does not grow
		• A failed venture is a venture that is falling short of goals	• A failed venture is a venture that is falling short of goals

It is interesting to see that entrepreneurs defined success and failure as opposites. They defined a successful business or new venture as a business / new venture that makes a sustainable profit, and a failed business or new venture as a business / new venture that did not make a profit.

Intrapreneurs, on the other hand, defined business success and failure as two different things, as if not on the same continuum, while defining new venture failure and success as opposites. They have defined a successful business as a business that achieved its goals, whereas a failed business is a business that was not managed properly. New venture success and failure are defined by meanings of growth.

6.6 New Venture Failure Decision

The participants were asked how they decided that their venture had failed. The question was worded in two ways, one for entrepreneurs asking about their failed start-ups, and the second for intrapreneurs inquiring about their failed ventures. Table 6.22 provides a summary of the answers given by the participants, using their own words.

The intuitive answer to this question lies in situations related to finance, such as the venture not achieving ROI or not making a profit. This is in conformity with the most frequently used definition given by entrepreneurs who participated in this study, that a failed business was "a business that does not make a profit and is lacking cash".

However, entrepreneurs and intrapreneurs who participated in this study suggested additional methods for deciding that a venture is failing. For example, both entrepreneurs and intrapreneurs suggested that when a product did not meet its requirements, or its technology failed, they decided that their venture had failed.

The decision regarding whether or not an enterprise has failed can be precipitated by internal or external factors. Entrepreneurs and intrapreneurs may feel that a venture is not giving them the return they expected, and decide that the venture has failed and close it, or adjust it so that it will meet their expectations (internal to the venture). However, intrapreneurs suggested that the decision regarding failure was made by the business managers (external to the venture, although in the business) and not by them.

One of the intrapreneurs emphasised that "*I believe it is better to close it quickly than to drag it on. But that's a hard decision. It's hard to cut it*". This is an important message which suggests that the decision regarding failure should be personal, and should be taken before the venture reaches the stage at which it is ailing financially. It gives the entrepreneurs and intrapreneurs the ability to reflect on their actions, learn from their mistakes and start a new venture adding the experience they have gained from the failed venture to their knowledge, which means that they have learned from the failure.

Table 6.23 contains a comparison between the decision that a new venture / business is failing and the new venture / business failure definitions given by the same participants.

Only four of the participants used the same criteria to define business and new venture failure and to decide that the venture has failed. All these participants used a financial scale to define failure.

One of the entrepreneurs defined a failed business as a business that does not generate enough money. However, when asked how he decides that the business has failed, he said that it does not meet its requirements. As he did not define what those requirements are, one can assume they are revenue-related, product-related or a combination of the two.

Table 6-22: Venture Failure Decision – Participants' Direct Responses

Category	Entrepreneurs	Intrapreneurs
Finance	• Not making a profit • Can't pay your debts • Cannot find sufficient customers to break even on a regular basis • I did not decide, it was decided for me because the initial budget was overspent	• The venture didn't achieve ROI • Continually not meeting its targets, particularly cash flow
Product	• Doesn't meet it's requirements	• Technology failed
Goals	• Didn't give return on effort	• No chance to change product / goals • It can't do what you set out to do…or if you change plans and ideas along the way, it still isn't going to work. You've got to really be able to see it working and believe in it...because no one else will • It becomes apparent management cannot deliver on agreed milestones (nor could a replacement manager)
Management	• If you change plans and ideas along the way, and it still isn't going to work	• Stop getting attention from seniors • I did not decide, it was decided for me because the initial budget was overspent

One entrepreneur and one intrapreneur highlighted that others forced the decision that the new venture / business was failing, while it seemed that, in their opinion, it was not failing (highlighted in purple). Furthermore, to the question 'why you decided it was failing', he responded: "*I did not think it was failing, others lost confidence in it and pulled the plug. They did not give it enough time or money. They were too risk averse*".

Although most of the participants felt that it was their decision regarding whether a new venture failed or succeeded, by connecting it to financial results, the decision was actually precipitated by external factors. Only two participants stated that they decided that a new venture failed when it did not meet it goals, although more have defined a failed new venture as a venture that fell short of its goals. It seems that, although the entrepreneurs and intrapreneurs prefer to define new venture success and failure based on its goals, when actually deciding on failure they need an external source of pressure, as they are optimistic and believe that it will work if just given enough time.

Table 6-23: Failure Definition vs. Failure Decision - Participants' Direct Responses

	New Venture / Business Failure Definition	How do you decide that the New-Venture or Business is failing?
Entrepreneur	• Lack of customers to break even, no sign of reaching this point, drain on cash from other businesses	• As before, cannot find sufficient customers to break even on a regular basis
	• A business that does not generate enough revenue to sustain itself (or me)	• Doesn't meet it's requirements
	• Unable to continue as a going concern	• Not Applicable
	• Failing 1) to generate sufficient revenue 2) to make a profit 3) discovering a crucial flaw in your business model	• I did not decide, it was decided for me because the initial budget was overspent
	• The wrong market at the wrong time in the wrong place	• If you cannot pay your debts and not make a profit
	• They were eventually taken out and shot, they were abandoned in one form or another. They didn't necessarily have to fail by going broke or not making enough money, just the point that they were not delivering on the potential of the idea, so you have to find a better idea	• Just didn't give the return for the effort
	• Not making a profit	• Doesn't make a profit
Intrapreneur	• The venture not being able to do what you thought it would do. Or not meeting your expectations. Or not being profitable.	• It can't do what you set out to do...or if you change plans and ideas along the way, it still isn't going to work. You've got to really be able to see it working and believe in it...because no-one else will.
	• Very little new learning, loss of capital, shutdown - no future life	• Continually not meeting its targets, particularly cash flow
	• No growth • Didn't reach ROI. • Not achieving the goals that we've set from several reasons.	• ROI on the venture • I believe it is better to close it quickly than to let it drag on. But that's a hard decision. It's hard to cut it.
	• Did not achieve its goals	• Stops getting attention from seniors

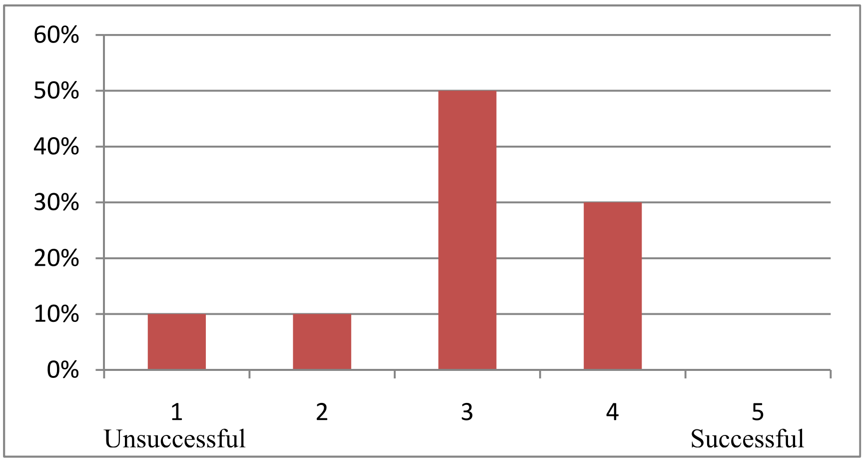
6.7 Change in Skills as Result of New Venture / Business Failure

In the literature review, we defined learning as "the creation of knowledge that leads to behavioural change" (chapter 3). The creation of knowledge is based on the experience that entrepreneurs and intrapreneurs gain in their ventures, regardless of whether it is a venture in an existing business or a stand-alone new venture.

Therefore, the participants in this study were asked to rate their success as managers while managing their failed ventures, between 1 (unsuccessful) and 5 (successful). In addition, they self-evaluated the change in their skills as result of their experience in the failed new venture and / or business.

When asked to rate their managerial skills during the time that they managed the failing venture, half of the participants rated their skills as level 3. None of the participants rated their managerial skills as level 5. This can result from the entrepreneurs and intrapreneurs feeling that if their venture has failed, they cannot be good managers. Figure 5.1 illustrates the spread of the answers.

Figure 6-2: Success as a Business / Venture Manager



When asked to rate the change in their skills as result of the failing new venture, most of the entrepreneurs and intrapreneurs stated that their skills had improved, as ahown in Table 6.24.

The change in skills confirms that the participants learned from the failed new venture. The participants who had rated themselves as unsuccessful managers (rated 1 or 2), rated their managerial skill as much better. All rates were 4 or 5, and these entrepreneurs display the highest level of learning.

It is to be expexcted that some of the participants would mention that there was no change in their skills. However, it is interesting to see that some participants said that their managerial skills were worse. This can occur as result of their reaction to the failure, that can lead them to develop a disbelief in themselves, and negative feelings toward venture failure which suggests that if the venture failed, then the entrepreneur / intrapreneure cannot be a good manager.

Table 6-24: Change in Skills

Change in Skills		1-Worse	2	3	4	5-Better
Managerial	Planning the business	0%	10%	0%	30%	60%
	Developing business networks	0%	0%	30%	30%	40%
	Establishing systems	0%	10%	20%	20%	50%
	Identifying new opportunities	0%	10%	20%	30%	40%
	Dealing with setbacks	0%	20%	20%	40%	20%
	Self-management	10%	0%	40%	20%	30%
	Adapting to change	0%	10%	40%	10%	40%
Financial	Financial record keeping	10%	0%	30%	30%	30%
	Raising finance	10%	20%	30%	20%	20%
	Monitoring performance	0%	10%	30%	30%	30%
Adding Value	Team leadership	10%	10%	30%	30%	20%
	Attracting / retaining staff	0%	20%	50%	0%	30%
	Building a customer base	10%	0%	40%	30%	20%
	Researching the market	0%	10%	20%	30%	40%
	Promoting products / services	0%	10%	20%	20%	50%
	Targeting customers / clients	0%	0%	30%	40%	30%

6.8 Influence of Failure on Next Venture

The participants were asked to rate how failure in a business or a new venture influenced their decision to start a new venture.

Only one participant suggested that the failure discouraged him from starting a new venture or business, while 50% of the participants who answered the question suggested that it had no influence on their future activities. The rest of the participants answered that the failure encouraged them to start a new venture or a business. Rating the influence of a business or new venture failure between 3 (no influence) and 5 (encourage) indicated that the majority of the participants did not see failure as a bad experience.

6.9 Suggestions from Experienced Entrepreneurs and Intrapreneurs

Based on their experience gained from failed and successful ventures, participants were asked to share their experience by suggesting what they would take with them to their next venture and what they would avoid. In addition, they were requested to share an experience that would help novice entrepreneurs and intrapreneurs avoid new venture failure. Tables 6.25, 6.26 and 6.27 provide a summary of the participants' suggestions.

Two participants answered that they would not take any useful experience from one venture to the next, as each venture is different. However, they did have experiences they would avoid in their next venture and suggestions for novice entrepreneurs and intrapreneurs.

On the other hand, entrepreneurs and intrapreneurs emphasised that they learn from each venture and come more prepared to the next one. They stressed that after failed ventures, they know where things can go wrong, and can prepare ore effectively for next time. Furthermore, one of the entrepreneurs said that, for him, each venture tends to be more successful.

An important experience that entrepreneurs and intrapreneurs take with them to the next venture is the importance of choosing the right the team members and partners. This theme appeared as an experience in all three questions. If participants had a bad experience with partners or team, they would write it about as an experience to avoid. Partners and team members are known in the academic literature as one of the reasons for business failure (for example Gulst & Maritz 2009a; McKenzie & Sud 2008; Seshadri 2007; Zacharakis, Meyer & DeCastro 1999). Therefore, it was expected that entrepreneurs would raise this issue when asked for ways to avoid venture failure and / or experiences to be taken into (or to be avoided) in the next venture.

Another experience that appeared as an answer to all three questions was the importance of preparation. The participants emphasised that it is very important to be prepared, to plan in detail, conduct market research and have enough funding, all before starting the venture.

Once again, this is presented in both a positive and a negative light, depending on the participant's experience. However, when asked to provide a suggestion to novice entrepreneurs and / or intrapreneurs, twelve (44%) participants suggested that the novice entrepreneurs and intrapreneurs should make comprehensive preparations before they start a new venture.

Table 6-25: Useful Experience to take to the Next New Venture - Participants' Direct Responses

Category	Entrepreneurs	Intrapreneurs
Learning	• Each venture tends to be more successful • Develop the skills required or will get into hopeless situations • The experience (good and bad) from the previous venture is the most important aspect when going into a new venture • There is always wholesale knowledge acquired from third parties	• I know where things can go wrong, and be better prepared • I would understand where things can go wrong, and then make fewer mistakes
Team	• Be very careful who you bring in as partners • The value of hiring quality staff who are smart • Know your stakeholders and founders • How to "use" skilled people • Team building from day 1 and continuing such 'exercises' when new people start	• Ensuring the right people are allocated to the job • Team building from day 1 • Choose your partners very carefully • Understanding that people don't know you, so even though you know your own plans, ideas and where you want to go with the business, others don't necessarily agree or understand or will be supportive. • Start with a top team with wide range of expertise • Know your stakeholders and investors!
Management	• Plan in greater detail • Everything takes longer and cost more than expected • Introduce good systems and processes right from the start	• Explain your plans to your team, so they'll be able to understand where you are going and support you
Finance	• Have adequate start-up cash to take the business where it needs to go • Not worrying too much about the cost of hiring • Better financial planning	• Better financial planning
Marketing	• Ensure clarity of solving a client / customer pain point • It is very important to understand marketing • Understand the marketing process • Do a proper market survey • Do your homework of the market more thoroughly	• Ensure clarity of solving a client or customer pain point
Product	• Introduce good systems and processes from the beginning	• I'd be very careful with online business
Personal	• Persistence • Never be optimistic • Discount exercise optimism	

The preparations included all the obvious suggestions such as market research, a good business plan, a financial plan and sufficient funds. These suggestions are known in the academic literature as failure reasons, meaning that if these issues have not been dealt with, chances of failure are much higher (Buckley & Close 2002; Gulst & Maritz 2009a; Mullins 2006).

However, the suggestions that are more interesting were those that did not appear in the reasons for failure in the academic literature related to personal preparation. Participants suggested that novice entrepreneurs and intrapreneurs should be prepared for the reality that the venture will take more time and cost more than planned. In addition, they suggested searching for fatal flaws and finding a way to deal with them before they occur in real time. Search for all obstacles that can cause business failure, although difficult, and think of ways to overcome them. Moreover, and no less important, be prepared to accept that your venture can fail. Therefore, they should be prepared to walk away, sooner rather than later, if the venture does not succeed.

Table 6-26: Experience to Avoid in Next New Venture - Participants' Direct Responses

Category	Entrepreneurs	Intrapreneurs
Team	• Seeing through people to ensure trust • People are the key • Teaming up with the wrong partners • Get the wrong staff • Bringing in wrong people • Avoid corporate owner • Don't hire staff you don’t trust • Never hire family	• Relying too much on other people • Bringing in the wrong people • Don't hire staff you don't trust • Never hire family • Avoid arguments that may lead to Civil and Administrative Tribunal • Not seeing through people to ensure trust
Timing	• Timewasters • Being first in the market is not always worthwhile	• Rushing to meet arbitrary deadlines • Timewasters
Funding	• Insufficient capital • Avoid using your own money • Fund it yourself	
Management	• Not enough preparation • Blindly following old owners	
Personal	• Being optimistic • You learn not to be so optimistic and a bit more cynical about things	
Market	• Competition in the area	
Ownership		• Avoid corporate owner
Production		• Invest more in automation upfront • Product development delays

In addition to being prepared, participants suggested that novice entrepreneurs and intrapreneurs must be less optimistic (appeared four times), and even a bit cynical. Returning to the literature on the reasons of venturer failure, Hayward (2006) and

Douglas (2006) emphasise over-confidence as one of the reasons for new venture failure.

Table 6-27: Suggestions to Novice Entrepreneurs and Intrapreneurs - Participants' Direct Responses

Category	Entrepreneurs	Intrapreneurs
Be prepared	• Ensure you have done detailed market research • Ensure you have an independently pre-assured and conservatively tested budget • Do a market survey including Human Resource, remuneration, environment (externally and internally) • Spend a lot of time and money on due diligence and then buy with your head not your heart • Take your time in setting up the business and developing your product	• Do proper market research • Invest in business development and marketing
	• Look for those hidden aspects that can potentially cause your business to fail - they are often very difficult to see • Assume that it will work half as much, cost twice as much, take twice as long • Consult 2 - 3 Accountants on the idea first • Think your business model through over and over. Look for those hidden aspects that can potentially cause your business to fail - they are often very difficult to see	• Make a list of all things you think can go wrong, and be prepared to deal with them • Be prepared for a whole series of events that may bring you down
Management	• Focus only on those aspects that drive the business fundamentals and avoid all those who would distract from this task • Think your business model through over and over • Business planing • Have clear goals and don't jump into it • Detach yourself from the excitement of the product / service you are selling and do your homework from a non-passionate perspective • Avoid all aspects that would distract you from the main task • Invest in business development and marketing • Start not too small but with caution • Take your time in setting up the business and developing your product, don't hurry and in the process make costly mistakes and create a bad impression	• Don't go with flow and make your own judgment • Never give up
Product	• Build multiple prototypes and test in the market • Assume that it works half as much	• Make sure the product or service clearly solves a customers' pain point
Timing	• Take your time in setting up the business and developing your product	

Category	Entrepreneurs	Intrapreneurs
	• Don't hurry and in the process make costly mistakes and create a bad impression • Assume takes twice the time planned	
Team / Partnership	• If you go into partnership then have it in writing. • Study founders beforehand • Be very careful who you bring in as partners	• Be very careful who you bring as partners • Don't be afraid to hire people more skilled than you • Good networking
Funding	• Don't spend too big on building a business around your idea until you have tested it • Ensure you have enough cash to last a while • Assume cost twice as much as planed • Spend a lot of time and money on due diligence and then buy with your head not your heart • Ensure you have sufficient capital • Avoid unnecessary costs • Be good at obtaining funding - know where to source and who to go to and always seek more than you need • Ensure you have an independently pre-assured and conservatively tested budget • Know your break even point and absolute minimum you need in time and funds to get there - then double or even treble it and you might have an approximation of your minimum need	• Be good at obtaining funding • Know your break-even point • Firstly, the profit margin should be considered, however, if you have a long-term strategy you may make a loss then turn the business into a profitable venture. • The key to any business venture is to invest back into the business which in turn will reap rewards for the owners and provide the company cash-flow to reward the employees • Ensure have enough cash to last a while
Personal	• Don't concern yourself with your status. • Focus only on those aspects that drive the business fundamentals and avoid all those who would distract from this task • Do not ignore your gut instinct - doesn't matter how good an idea sounds • Be persistent • Never give up • Be prepared to walk away sooner rather than later, even if you have spent a lot of money • You've got to really be able to see it working and believe in it...because no one else will • Starting is everything	
General	• Starting a business is all about timing, not only time to market but to have the right people around you [at the right time], the politics, timing is always a difficult one, being the first entrance in the marketplace, you have to be do all the educating, and that is very hard.	

An opposite approach suggested that novice entrepreneurs and intrapreneurs should be persistent, never give up and trust their instincts, not be concerned about status and believe in the venture. The entrepreneurs and intrapreneurs should realise that the team members may not be aware of the goals and ideas of the venture. Therefore, it is suggested that these issues should be explained to the team members in order gain their support. Understanding and smart team members are supportive and, therefore, can contribute more to the venture's success.

6.9.1 Suggestions from Experienced Entrepreneurs and Intrapreneurs – Summary

Learning from failed ventures will usually be formulated in a negative way. For example, if someone had a successful experience with his or her partners and team members, they will see it as a good experience to take with them to their next venture. However, if they feel that the partners were the reason for their venture failure, they will describe it as an experience to avoid in their next venture. Either way, the lesson that was learned from both experiences is the importance of finding suitable partners and of recruiting team members.

The study did not find significant difference between the experiences that entrepreneurs and intrapreneurs suggested they would utilise or avoid in their next venture. Therefore, the following list is a combination of all the suggestions given by the participants in the study:

1. *Be prepared* –
    1.1. For the reality that some ventures fail. Detach yourself from the venture and search for fatal flaws in the planned venture before starting it. When finding them, prepare a plan detailing how to avoid them.
    1.2. Assume that everything takes longer, costs more and is not always applicable.
    1.3. Have a good financial plan and ensure you have sufficient funding to survive until sales produce a profit.
    1.4. Conduct adequate market research. Make sure you know whom your customers are and that your product or service solves the client's pain point.
    1.5. Take your time in setting up the new venture and developing your product, as being first in the market is not always worthwhile. Spend enough time and

money on due diligence. Remember, bugs in the products can create a bad impression.

1.6. Do not spend too much on building the venture before you have tested your idea and ensured there is a real opportunity in it.

2. *Personal*

2.1. Be persistent and do not give up easily.

2.2. Believe in your venture, others may try to discourage you. Do not let them influence you and trust your instincts.

2.3. However, do not be over-optimistic and over-confident. Be prepared to walk away sooner rather than later if you feel that the venture is not achieving its goals.

2.4. Focus only on those aspects that drive the business forward and avoid timewasters.

3. *Management*

3.1. Have clear goals, and write your business plan accordingly.

3.2. Do not start too small, but with caution.

4. Team / Partnership

4.1. Avoid bringing in the wrong people. Hire quality staff and do not be afraid to hire smart people. Make sure you hire only staff you trust and do not worry about the costs.

4.2. Choose your partners carefully. You need to be able to compliment each other and be able to work together in stressful times.

5. *Financial*

5.1. Be good at raising finance and avoid unnecessary costs.

5.2. Know your break-even point and the profit margins you can allow yourself in order to stay in business.

5.3. Invest back into the business before giving dividends to stakeholders.

6. *Learning*

6.1. Develop the required skills to manage a business (regardless of whether the venture is the business or embedded in an organisation).

6.2. Do not rely too much on professional staff. Be able to understand basic financial statements, market research results and so on. You do not need to know how to write them but you need how to know to read them.

6.3. Each venture is part of your learning curve. Therefore, accept any failure or success as a learning experience that will help you in your next venture.

6.10 Propositions

Based upon the above analysis, here is a summary of the propositions:

Proposition 1: Entrepreneurs perceive business success and failure as equivalent to new venture success and failure. – Accepted, they defined business and new venture success and failure in similar terms.

Proposition 2: Intrapreneurs perceive business success and failure as equivalent to new venture success and failure. – Rejected, intrapreneurs differed between business and new venture when defining success and failure.

Proposition 3: New Venture failure can be identified as part of the entrepreneurs' learning curve. – Accepted, the majority of the participants in this study acknowledged that they have learned from their failed venture.

Proposition 4: Experienced entrepreneurs can suggest ways in which they could have overcome the failures. – Accepted, the entire dataset contained suggestions regarding how they could have overcome their failures.

Proposition 5: Entrepreneurs and intrapreneurs will learn similar things from new venture failure. – Accepted, there was no significant difference between the levels of learning experienced by entrepreneurs and intrapreneurs.

6.11 Summary

This chapter analysed the data obtained from the survey and structured interviews. It includes answers from 27 entrepreneurs and intrapreneurs. The analysis demonstrated that each participant had a different definition of business and new venture success and failure. In addition, entrepreneurs and intrapreneurs perceived business and new venture success and failure differently.

Learning from failure was foreseen in the change in skills as suggested by the participants and in the suggestions that the participants gave to novice and nascent entrepreneurs and intrapreneurs. The study did not find significant difference between the experiences that entrepreneurs and intrapreneurs suggested they would utilise or avoid in their next venture.

The chapter ended with a list of suggestions given by experienced entrepreneurs and intrapreneurs to novice entrepreneurs and intrapreneurs. The suggestions from both parties were similar, and are intended to help others avoiding failing in their new venture, regardless of whether the venture is a start-up or embedded in a mature organisation.

The next chapter includes a discussion and the conclusion. It will commence by comparing the research questions and propositions with the findings. The chapter will conclude with the study's limitations and suggestions for future research.

Chapter 7 Discussion and Conclusions

7.1 Introduction

This chapter discusses the findings of the study. It compares the results and finding from the previous chapter with the relevant academic literature. Findings that add to the body of knowledge are emphasised in separate sub-sections.

The discussion demonstrates that entrepreneurs and intrapreneurs perceive businesses and new ventures as different entities. Therefore, they define business and new venture failure in different ways. However, both groups learned similar things from new venture and business failure.

Entrepreneurial learning is confirmed by three indicators. The first is the participants' self-assessment of their change in knowledge, which is in agreement with Mumford’s (2002) definition of learning.

The second indicator that demonstrates learning was based on Cannon and Edmondson’s (2005) learning cycle, which is established in this study by the combination of decisions regarding failure (identify failure), decision reasoning (analyse failure) and experiences that the participant sees as useful for, or will avoid repeating, in their next venture (as a result their next venture will be deliberate experimentation).

The third indicator of learning was reinforced using experiential learning (Mainemelis, Boyatzis & Kolb 2002). Experiential learning was demonstrated here by verifying the connections between the experiences that the participants found either useful for, or detrimental to, their next venture (the experience in the experimental learning) and the suggestions they gave to nascent and novice entrepreneurs and intrapreneurs (transforming experience into knowledge).

Using practice based theory as a guiding-line; a conceptual model is suggested as a result of the findings of this research. The model adds three stages to the model that was presented in Chapter 5. These stages are added before starting the new venture (be prepared), after starting the new venture (personality) and after venture failure (gain experience).

The chapter concludes with the study’s limitations and suggestions for future research.

The structure of this chapter is presented in Figure 7.1.

Section 7.2 compares academic theory with the findings of this study, using practice-based theory. The section is divided into the main themes, as in the data analysis chapter:

1. Reasons to start new ventures – compared with the findings from Stokes and Blackburn's (2001) research.

2. Business and new venture failure definitions – compared with academic literature regarding business failure definitions and business failure causes.

3. Venture failure decision – as studies regarding failure decisions are scant, this theme is an addition to the body of knowledge.

4. Entrepreneurial learning – compared with Mumford's (2002) learning definition, and Cannon and Edmondson' (2005) learning cycle and experiential learning (Mainemelis, Boyatzis & Kolb 2002).

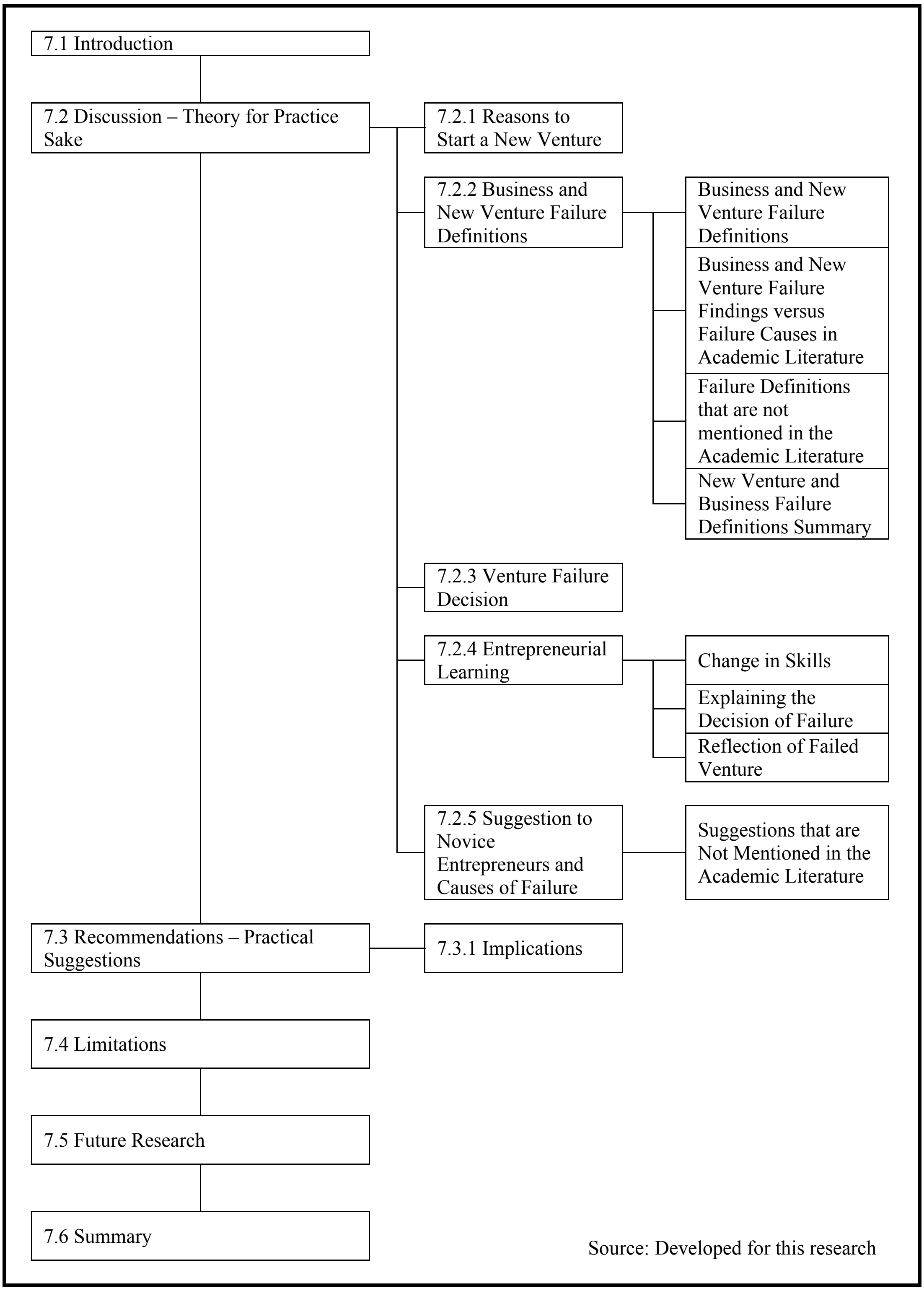
5. Suggestions the participants gave to novice and nascent entrepreneurs and intrapreneurs – compared with academic literature regarding failure causes.

Section 7.3 summarises the discussion from the previous section and creates practical suggestions therefrom. This section reveals the updated conceptual model that arose from the findings of this study.

Section 7.4 identifies the limitations of the study, emphasising two main limitations. These are sample size (27 participants), and the cultural bias that occurred due to all the participants being from Australia.

Section 7.5 suggests future research that will help overcome the limitations of the research and thereby enable the findings of the study to be generalised.

Figure 7-1: Discussion and Conclusion – Chapter Structure



Source: Developed for this research

7.2 Discussion – Theory for Practice Sake

This section will compare academic theory with the findings of this study, using practice-based theory. Practice-based theory converts the participants' narratives into academic theories. Therefore, the findings are compared with the relevant theory, accepting or rejecting it (Rae 2004b).

In addition, findings that had not previously been established in the literature are emphasised in special sub-sections. These findings are the study's contribution to the body of knowledge, and are part of an effort to fill the gap in the academic literature concerning what it is that can be learned from business failure.

7.2.1 Reasons to Start a New Venture

The participants were asked to rate different reasons to start new ventures. In adding to contributing to the body of knowledge, by weighing against the empirical scale used for this study (Stokes & Blackburn 2001), this section compares the findings in this study with the findings in the United Kingdom as published by Stokes and Blackburn (2001) (Table 7.1).

Table 7-1: Reasons to Start a New Venture

	Not Important		Neutral		Important	
Reason to start a new venture	UK (Stokes & Blackburn 2001)	Current study	UK (Stokes & Blackburn 2001)	Current study	UK (Stokes & Blackburn 2001)	Current study
Saw excellent opportunity	13%	0%	22%	16%	65%	84%
Desire for independence	11%	12%	11%	40%	78%	84%
To accumulate wealth	17%	4%	22%	28%	61%	68%
Frustration in previous job	48%	36%	17%	40%	35%	24%
Fear of unemployment	73%	84%	6%	8%	21%	8%

The majority of the participants in this research rated "Saw excellent opportunity" and "Desire for independence" as the most important reasons to start a new venture. In both cases, 84% of the participants marked it as important. Stokes and Blackburn's (2001) results suggested that, although these two reasons are the most important motives for starting a new venture, the majority of the participants defined "Desire for independence" as the most important reason to start a new venture. This may be linked to life-style entrepreneurship (Maritz & Beaver 2006).

However, in contrast with Stokes and Blackburn's (2001) findings, none of the participants in this research have rated "saw excellent opportunity" as not important. This might imply that the Australian entrepreneurs and intrapreneurs who participated in this study are more opportunity-driven than the British participants in Stokes and Blackburn's (2001) study.

Conversely, these results indicate that Australian and British entrepreneurs and intrapreneurs are opportunity-driven, and desire more independence in their work environment. The percentage of entrepreneurs and intrapreneurs who rated "Saw excellent opportunity" as an important reason to start a new venture is consistent with the percentage of opportunity-driven entrepreneurs in United Kingdom and Australia, as suggested by the Global Entrepreneurship Monitor (GEM) (Bosma & Harding 2006) and the Comprehensive Australian Study of Entrepreneurial Emergence (CAUSEE) (Davidsson et al. 2008) projects respectively (Table 7.2).

Table 7-2: Necessity-Driven vs. Opportunity-Driven Entrepreneurs

	Academic Research	Necessity driven entrepreneurs	Opportunity driven entrepreneurs	Other
UK	GEM (Bosma & Harding 2006)	15%	81%	4%
Australia	CAUSEE (Davidsson et al. 2008)	13%	87%	

In contrast with opportunity-driven entrepreneurs, it is expected that necessity-driven entrepreneurs would define "Fear of unemployment" as the most important reason to start a new venture. CAUSEE (Davidsson et al. 2008) suggested that, in Australia, only 13% of entrepreneurs start new ventures out of necessity. The findings of this research are consistent with this result, as only 8% of the participants defined this reason as important.

However, this result does not necessarily confirm that 8% of the entrepreneurs and intrapreneurs who participated in this research are necessity-driven entrepreneurs. For example, one of the participants wrote that the 2009 recession made it difficult for her to find a job that will suit her while combining work and family. Therefore, she needed to start a new venture. This seems to indicate that she is a necessity entrepreneur. However, when asked to rate the importance of the five reasons (table 7.1) for starting a new venture, she rated "fear of unemployment" as 3 (natural) and "desire for independence" as 5 (most important), and "saw excellent opportunity" as 4 (important), which implies on an opportunity driven-entrepreneur.

Another participant wrote that the reason she started a new venture was that she searched for "*job security*", which may imply that she is a necessity-driven entrepreneur. However, when asked to rate the importance of "fear from unemployment" as a reason to start a new venture, she rated it 1 (not important), whilst "desire for independence" received 5 (most important) and "saw excellent opportunity" was rated 4 (important).

It seems that, although some of the participants in the research started a new venture as they did not have other options, they do not see themselves as necessity-driven entrepreneurs. Rather, it seems that they are opportunity entrepreneurs who needed encouragement to start a new venture, and the opportunity arose as they searched for a new job.

Therefore, it is evident that the entrepreneurs and intrapreneurs who participated in this study were all opportunity-driven entrepreneurs. This can result from the databases chosen as the initial dataset for the use of this research. The participants were selected from Deloitte's "Technology Fast 50" and WiT (Women in Technology) from Queensland databases, approximately 50% of them from each database. Both of these databases include technology entrepreneurs and intrapreneurs, who are more opportunity-driven.

A total of 68% of the participants in this study rated "to accumulate wealth" as important (4-5), whilst only 61% of the British entrepreneurs saw it as important. More interesting is the fact that, while 17% of the British entrepreneurs rated it as not important, only 4% of the Australians stated that to accumulate wealth is not an important reason for starting a new venture. This can be a result of one of two reasons. The first is that Australians attach more significance to accumulating wealth, and the second could be a cultural reason. The Australian participants might not be ashamed of wanting to accumulate wealth, or at least not afraid to say it.

7.2.2 Business and New Venture Failure Definitions

There is no consensus in the academic on one common definition for business failure (Pretorius 2009; Watson & Everett 1993). Likewise, the participants in this study addressed business and new venture failure from different perspective.

In addition to common definitions of business failure, the participants in this research used definitions that were identified as causes of failure in the academic literature. These definitions are compared in section 7.2.2.2.

In the academic literature on entrepreneurial failure, the units of measure are businesses and new ventures (Lee & Lee 2005; Lussier & Halabi 2010) or entrepreneurs (Cave, Eccles & Rundle 2001; McGrath 1999; Singh, Corner & Pavlovich 2007). However, the attention paid to intrapreneurs in these studies is scant.

In order to add to the body of knowledge, this research is targeting entrepreneurs and intrapreneurs, as it aims to reveal whether or not there is a difference between the ways in which entrepreneurs and intrapreneurs perceive business and new venture failure. Therefore, the discussion will be conducted in two stages. The first stage will compare all the participants' answers with the academic literature. The second stage will compare the answers of the intrapreneurs with those given by entrepreneurs.

As a further contribution to the body of knowledge, this section continues with a list of definitions of failure suggested by the participants in this research that were not found in the academic literature and concludes with definitions of failure as accepted by the majority of the entrepreneurs and intrapreneurs who participated in this research.

7.2.2.1 Definitions of Business and New Venture Failure

This section compares the participants' definitions of failure with those found in the academic literature. Definitions of failure are divided into the four main definitions published by Watson and Everett (1993): business discontinuance for any reason, disposed of the business to prevent further losses, bankruptcy and falling short of goals.

7.2.2.1.1 Discontinuance for any reason

Discontinuance of the business for any reason is the widest definition of business failure, as it includes all types of closure regardless of the reason for the closure (Carter

& Van-Auken 2006; Rogoff, Lee & Suh 2004). Garrod and Miklius (1990) argued that even a change in ownership or a change in identity are defined as business failures.

Several of the participants used discontinuance of business as a definition of failure. However, they defined the closure as a business or a new venture that ceased to exist, stopped operating or was abandoned using negative words, which places the emphasis on negative reasons for closure and not voluntary closure. By doing so they accept that a business or new venture fails when it ceases to operate. Table 7.3 provides a comparison between these findings and the relevant literature.

Table 7-3: Discontinuance of the Business for Any Reason

Authors	Academic Definition	Definition in Finding	
		Entrepreneurs	Intrapreneurs
Richardson, Nwankwo and Richardson (1994) Rogoff, Lee and Suh (2004) Carter and Van-Auken (2006)	Discontinuance of business	• A business or new venture that was shut down • A business that is unable to continue as a concern • A new venture that was abandoned	• A company that stoped operating • A business that its founders let wither or close down • Lose your business • A new venture that ceased to exist
Garrod and Miklius (1990) Watson and Everett (1993) Pretorius (2009)	Discontinuance of ownership		

However, none of the participants defined business and new venture failure as a change of ownership, or any type of voluntary closure as in a profitable sale, which can be implied from the definition advanced by Garrod and Miklius (1990). Conversely, Stokes and Blackburn (2002) and De Castro et al. (1997) disagree with the definition discontinuance for any reason. They differentiate between business closure and business failure, emphasising that failure is only one of the business closure categories.

Whilst this definition relates to any discontinuance of a business, the participants' answers implied discontinuance for negative reasons and not closure as an intended exit strategy or any other deliberate process, accepting the point of view of Stokes and Blackburn (2002) and De Castro et al. (1997).

Therefore, business or new venture closures are described as failures only if they are not voluntary and the business or new venture ceased to operate against the will of the entrepreneur or intrapreneur. Hence, the sale of the business for profit, or a decision that the business or the new venture exhaust itself and a better opportunity appeared, is not defined as a failed venture or business.

Both entrepreneurs and intrapreneurs agreed that discontinuance of a business or a new venture with negative outcomes is defined as a failed business or new venture. However, they did not perceive a change of ownership as failure. Rather, it represents progress in the life cycle of the business or new venture.

7.2.2.1.2 Disposed of to Prevent Further Losses

This definition takes into account only businesses that closed for financial reasons, including bankruptcy, which is discussed separately. Therefore, if a business was sold or closed without losses, it will not be counted as failed (Watson & Everett 1993). In addition, entrepreneurs and intrapreneurs may decide to terminate a business or a new venture, as they can predict that its financial performance is deteriorating (Liao 2004). Table 7.4 provides a comparison between the relevant literature and the findings of this study.

The definition 'disposed of to prevent further losses' is a combination of four related definitions:

1. Business liquidation to prevent further losses – one of the entrepreneurs defined a failed business as a business that was sold at a distress price. However, this was only part of the definition. This entrepreneur defined business failure as "*Letting the business wither or close down or selling at a distress price*".
   None of the intrapreneurs who participated in this study used this definition. This is reasonable, as their ventures are part of a business and its failure might not drive the parent business into failure. Furthermore, they might not be in a position to decide to sell or close the business.

2. The firm's value falls below the opportunity cost of staying in business – none of the participants used this definition or any definition that can imply it.
   It appears that both participating groups, entrepreneurs and intrapreneurs, were focused on cash flow and profitability, understanding that when reaching profitability and sustainability the firm value will grow. However, profitability

and sustainability was not used as a definition of a failed business, while both groups used 'lack of cash' as a definition for a failed business or new venture. Another option is that the participants have decided that the new venture or business failed before it reached the stage at which its value falls below the opportunity cost of staying in business. Therefore, they did not use firm's value as a failure measure.

3. Ventures that fail to provide an adequate return for the Venture Capital (VC) firms – the participants have defined a failed business and new venture as a business or new venture that fails to generate revenue to support the business and its founders. Although these definitions are not identical, they are approximate, and it can be said that the participants accept this definition with only a slight change. The participants who defined business and new venture failure this way saw the importance of putting the profits back in to the business before paying back the venture capital companies which had provided financial backing, if any such existed.

   Another explanation for the lack of mention of venture capital companies might be the structure of the venture capital industry in Australia. Australia's government adopted the Innovation Investment Fund (IIF) programme in 1997. The IIF operates as a private Venture Capital (VC) fund. Prior to 1997, there was scant start-up and early stage VC investment funding in Australia (Cumming, Fleming & Schweinbacher 2007).

   Furthermore, the CAUSEE study done at the Queensland University of Technology (Senyard et al. 2009) implied that less than 6% of the high potential start-ups in Australia used venture capital funding, while none of the non-high potential start-ups used any venture capital funding (Senyard et al. 2009).

   Once again, only entrepreneurs defined business and new venture failure using this explanation. Moreover, as with the former definition, it is reasonable as the intrapreneurs might have less exposure to VCs. It is most likely that the managers of the business rather than the intrapreneurs will represent the business while searching for funds.

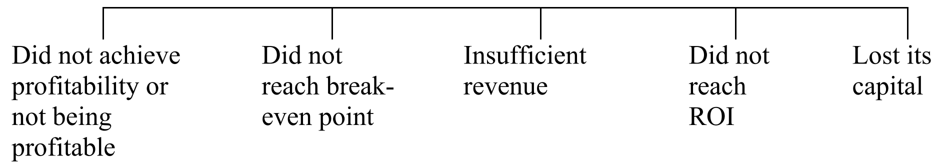
Table 7-4: Disposed to Prevent Further Losses

Authors	Academic Definition	Definition in Findings	
		Entrepreneurs	Intrapreneurs
Gaskill, Van-Auken and Manning (1993) Watson and Evert (1993) De Castro et al. (1997) Carter and Van-Auken (2006)	Business liquidation to prevent further losses	• A business that is sold at a distress price	
Fredland and Morris (1976) De Castro et al. (1997) Shepherd (2003) Liao (2004) Cressy (2006)	The firm's value falls below the opportunity cost of staying in business		
Zacharakis, Meyer and DeCastro (1999)	Ventures that fail to provide an adequate return for the VCs	• A business or a new venture that does not generate enough revenue to sustain itself or its founders	
Cochran (1981) Liao (2004)	A business that is not earning an adequate return	• A business or a new venture that fails to achieve profitability • A business or a new venture that fails to generate sufficient revenue and make a profit • A business or a new venture that did not get to break-even point • A business or a new venture that lost its capital	• A business or a new venture that fails to achieve profitability • A business or a new venture that did not reach ROI • A business or a new venture that is not profitable

4. A business that is not earning an adequate return (Cochran 1981; Liao 2004) – participants in this study accepted this definition, though using different terminology. The definition in the academic literature is very broad, while the participants were more specific in defining what inadequate return is.

   The participants' definitions can be set on a continuum (Figure 7.2) between a business and a new venture that did not achieve profitability (or not being profitable) on one side, and a business or new venture that lost its capital on the other. In between these extremes the participants defined a failed business or new venture as a business or new venture that did not reach the break-even point, a business or new venture that fails to generate sufficient revenue, and a business or new venture that did not reach ROI.

Figure 7-2: Inadequate Return Continuum



Source: developed for this study

It appears that the participants were more specific with their definitions as each one used the issue that caused his or her new venture or business to fail. However, it does not invalidate the definition, but on the contrary, reinforce it.

In this case, the entrepreneurs and intrapreneurs were in conformity regarding this definition. New ventures must have revenues to succeed, regardless of whether they are embedded in a mature business or a separate start-up business. Therefore, both groups, the entrepreneurs and intrapreneurs, accept this definition.

7.2.2.1.3 Bankruptcy

This is the most objective definition (Carter & Van-Auken 2006; Fredland & Morris 1976; Pretorius 2009; Shepherd 2003; Watson & Everett 1993; Zacharakis, Meyer & DeCastro 1999). In Australia, after starting bankruptcy and insolvency procedures, entrepreneurs are not allowed to open a new business for three to eight years (AussieLegal 2009). Therefore, it might prevent entrepreneurs from continuing in their entrepreneurial careers. Table 7.5 provides a comparison between academic definitions and the participants' answers.

When comparing the findings and the academic literature, it was expected that the participants would accept this definition. As this is the most objective failure definition (Watson & Everett 1993), there is no argument that a business that started bankruptcy procedures is a failed business. It is important to emphasise that this definition relates only to businesses and not to new ventures embedded in mature organisations.

However, Fredland and Morris (1976) and Zacharakis, Meyer and DeCastro (1999) added business turnover to this definition. None of the participants in this study defined turnover as business failure. Had they perceived it as a definition of failure, it would presumably have been found in the answers to this question or at least in the answers to the question regarding their decision that the business is failing. However, they have not used the expression in any related or non-related questions.

Table 7-5: Bankruptcy

Authors	Academic Definition	Definition in Findings	
		Entrepreneurs	Intrapreneurs
Fredland and Morris (1976) Watson and Evert (1993) Shepherd (2003) Thornhill and Amit (2003) Balcaen and Ooghe (2006) Carter and Van-Auken (2006) Pretorius (2009)	Bankruptcy	• Bankruptcy • Going in to voluntary administration • Liquidation • Insolvency	• Bankruptcy • Going in to voluntary administration • Liquidation • Insolvency
Fredland and Morris (1976) Zacharakis, Meyer and DeCastro (1999)	Business turnover		

Furthermore, one of the participants emphasised that changing plans does not constitute a failure. However, if after the change the venture still does not work, it will be declared a failure. This means that the turnover itself is not a failure. Rather, the success or failure of the new plans defines whether or not it is a failure. Therefore, the participants in this research reject this definition.

There was no difference between the way entrepreneurs and intrapreneurs perceived these definitions. All the participants accepted the different definitions of bankruptcy and rejected business turnover.

7.2.2.1.4 Falling Short of Goals

This definition of failure puts the entrepreneurs in the centre, allowing them to decide whether their ventures or businesses had failed or succeeded, regardless on occasion of the objective finance results. According to this definition, a business that is willing to consider low financial returns, as the price of staying in existence, is not a failed business (Boden & Nucci 2000; Cannon & Edmondson 2005; Carter & Van-Auken 2006; Cochran 1981; McGrath 1999; McKenzie & Sud 2008; Watson & Everett 1993). Table 7.6 provides a comparison between the definition found in the academic literature and the study’s findings.

Table 7-6: Falling Short of Goals

Authors	Academic Definition	Definition in Findings	
		Entrepreneurs	Intrapreneurs
Cochran (1981) Watson and Evert (1993) Carter and Van-Auken (2006)	Failing to "make a go of it"	• The venture is "going backwards"	• The business or new venture that does not achieve the goals it was meant to
Sharma and Mahaian (1980) Boden and Nucci (2000) Cannon and Edmondson (2005) McKenzie and Sud (2008) Gulst and Maritz (2009b)	A deviation from the entrepreneurs' expectations	• The new venture is not delivering on the potential of its idea	• The new venture is not meeting your expectations • The business is less successful than hoped
McGrath (1999)	Falling short of goals	• A business or a new venture that did not achieve its goals	• A business or a new venture that did not achieve its goals
Gulst and Maritz (2010)	The entrepreneurs' dissatisfaction with the venture's progression		• The venture not being able to do what you thought it would do

This definition was accepted mainly as a definition of new venture failure. The reason might be that, as this definition does not take into account the financial state of the business, it is more appropriately applied to ventures than the previous definitions. Therefore, it can relate to both a new venture in a mature business or to a start-up business.

Both entrepreneurs and intrapreneurs agreed that this definition is acceptable as an explanation of new venture failure. As in the academic literature, every participant gave it a different description. However, all agreed that a new venture should meet its goals, regardless of what goals the entrepreneurs and intrapreneurs had set for it.

7.2.2.2 Business and New Venture Failure Findings versus Causes of Failure in the Academic Literature

For the last couple of decades academic researchers have studied and defined the reasons for the failure of businesses and new ventures (Gaskill, Van-Auken & Manning 1993; Ooghe & Projcker 2008; Stovall 2005; Zacharakis, Meyer & DeCastro 1999).

The units of measure in those studies were the businesses (Buckley & Close 2002; Carter & Van-Auken 2006; Everett & Watson 1998; Gaskill, Van-Auken & Manning 1993), the businesses' owners (Rogoff, Lee & Suh 2004) or entrepreneurs (McKenzie & Sud 2008; Zacharakis, Meyer & DeCastro 1999). However, the question that was asked was "what caused the business to fail?", with business failure being defined as it suited their research questions.

This research allowed the entrepreneurs and intrapreneurs to define new venture and business failure without asking for failure reasons. Interestingly enough, the participants in this study defined new venture and business failure in terms used by the former researchers to explain the causes of failure. It appears that the participants used the reasons that caused their business or new venture to fail as definitions of failure. In addition, the participants in this research did not distinguish between the causes of failure and definitions of failure. They defined the failure by the cause that drove the business or new venture toward failure.

This section will elaborate on similar themes that arose in the findings. The causes of failure are classified as suggested in Chapter 2: managerial failure causes, marketing failure causes, financial failure causes and product failure causes. Once again, the definitions of failure are divided into answers given by entrepreneurs and intrapreneurs, and the discussion is conducted in two stages. The first will compare all findings with the relevant literature, and the second will explore similarities and differences between definitions given by entrepreneurs and intrapreneurs.

As this research did not study the causes of business and new venture failure, it does not accept nor reject the failure causes, just compares them with the failure definitions given by the participants. Therefore, this section discusses only causes of failure mentioned in the academic literature that were used as definitions of failure by the participants.

7.2.2.2.1 Managerial failure causes

In the literature review (chapter 2, section 5) the managerial failure definitions were divided into general managerial failure causes that can appear in any business, regardless its age and size, and to managerial failure causes that are related specifically to new ventures. However, these two categories were combined in this chapter, as it appears that the participants did not distinguish between them.

Table 7.7 provides a comparison of definitions of failure found in this study and managerial failure causes as found in the academic literature:

1. Poor management strategy – poor strategy will influence the entire organisation and will cause it to fail (Connell et al. 2001; Rogoff, Lee & Suh 2004). Entrepreneurs who participated in this research used this cause of failure as a definition of new venture and business failure. Some saw a failed business or new venture as a business or new venture that lacked vision or strategy. Furthermore, they defined a failed business as a business or which the founders could not provide an organisational structure. As this definition is more relevant to businesses, none of the intrapreneurs used it as a failure definition.
2. Lack of, or poor, business plan – every entrepreneurship textbook (Frederick & Kuratko 2010; Timmons & Spinelli 2009) emphasises the importance of having a good business plan and how it influences the chances of succeeding in the new venture. Buckley and Close (2002) stressed that it is an important cause of failure. However, entrepreneurs who participated in this research defined a failed business as a business that has a flaw in its business model. None of the intrapreneurs used this definition to describe business failure, although it is most likely that they had to write a business plan for their new venture.

3. Management team and inappropriate management skills and qualities – Zacharakis, Meyer and DeCastro (1999) emphasised that a majority of the entrepreneurs whom they interviewed attributed their business failure to lack of managerial skills. Furthermore, Maritz (2008) emphasises that entrepreneurs manage opportunities while managers manage resources. However, interestingly enough, in this study, only intrapreneurs used it as a definition of business failure. However, they did not attribute new venture failure to this definition. It seems that intrapreneurs, who are not business owners or managers, defined a failed business as a business with an incompetent manager or that is not managed properly. Some of the entrepreneurs rated their managerial skills as low, and one even said that he is excellent at starting new ventures and businesses but is a lousy manager. They did not define business failure by their lack of ability to manage. Another explanation might be that the intrapreneurs

felt that they had done all they could for the business, and if the business had had a better manager, it would have succeeded.

4. Missing entrepreneurial characteristics – Thompson (2004), Rogoff, Lee and Suh (2004) and Stovall (2005) argue that, when added to other reasons of failure, missing entrepreneurial characteristics contributes to increased rates of failure. They state that entrepreneurs with prominent entrepreneurial characteristics are more likely to overcome problems and succeed in their new venture. Intrapreneurs agreed with this definition and implied that a business is a failed business when its owner and founder becomes greedy or lacks respect for the workers. The intrapreneurs blamed the owners of the business for its failure.

This is the only grouping of business failure definitions over which the identified entrepreneurs and intrapreneurs disagreed. This is most likely because the intrapreneurs manage the venture and not the businesses, and consequently they see managerial issues from a different perspective.

The entrepreneurs who defined business and new venture failure using managerial failure causes terms defined it in general terms as missing a business plan and strategy. The intrapreneurs defined business failures in terms that blamed the business owners and managers for the failure, expressing such sentiments as "incompetent manager" or lacking entrepreneurial characteristics.

Zacharakis, Meyer and DeCastro (1999) found that entrepreneurs attributed failure of other ventures to lack of managerial skills and entrepreneurial characteristics whilst they did not attribute the failure of their own ventures to their own lack of expertise. It is interesting to see this raised in the intrapreneurs' definitions of business failure, phrasing the definitions of failure in words that implicated the managers in the failure.

Table 7-7: Managerial Failure Causes and Failure Definitions

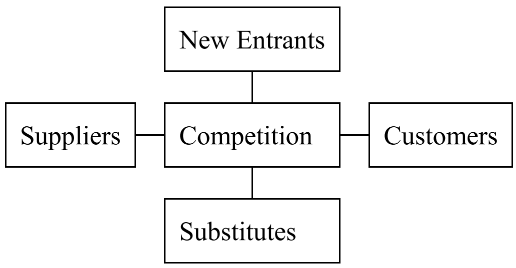
Academic Authors	Academic Literature business failure causes	Business and New Venture Failure Definitions from Study's Findings	
		Entrepreneurs	Intrapreneurs
Connell et al. (2001) Gaskill, Van-Auken and Manning (1993) Zacharakis, Meyer and DeCastro (1999) Buckley and Close (2002) Rogoff, Lee and Suh (2004)	Poor management strategy	• A business for which the founders are unable to organisational provide structure and systems • A business or a new venture that has a vague vision and strategy	
Buckley and Close (2002)	Lack of, or poor, business plan	• A business that has a crucial flaw in its business model	
Gaskill, Van-Auken and Manning (1993) Everett and Watson (1998) Zacharakis, Meyer and DeCastro (1999) Stovall (2005)	Inappropriate management qualities and skills		• A business that had an incompetent manager • A business that was not managed properly
Richardson, Nwankwo and Richardson (1994) Connell et al. (2001) Carter and Van-Auken (2006) McKenzie and Sud (2008)	Management team		• A business in which the founder does not align his or her plan with the staff
Richardson, Nwankwo and Richardson (1994) Rogoff, Lee and Suh (2004) Stovall (2005) Pretorius (2009)	Missing entrepreneurial characteristics		• A business or a new venture, of which the owner became greedy • A business or a new venture, of which the owner lacked respect for the workers

7.2.2.2.2 Market Failure Causes

Porter (2008) defined five forces that influence the market (Figure 7.3) and, interestingly enough, the participants' definitions of failure, which are related to marketing, refer to these forcers. Porter's five forces may seem not relevant to this research. However, they are used to emphasise the connections entrepreneurs and intrapreneurs did between market failure causes and failure definitions.

Table 7.8 provides a comparison between the failure definitions found in this study and marketing failure causes found in the academic literature, adding the related force from Porter's Five Forces.

Figure 7-3: Porter's Five Forces



Source: Adopted from: Porter (2008)

1. Porter's Customer Force – the customers appeared in two failure cause and failure definitions: unknown customers and unfocused market need. Entrepreneurs and intrapreneurs provided answers that concurred both of these definitions of failure, using similar definitions for each cause of failure.

    a. Unknown customers – a new venture will survive only if a market exists for its product or service. Therefore, entrepreneurs and intrapreneurs must define their market niche before they start the venture (Buckley & Close 2002; Mullins & Forlani 2005). Entrepreneurs and intrapreneurs agreed that a failed business or new venture is a business or new venture that does not have customers. Although phrased in different terms, there is a consensus regarding the essence of this argument.

    Although these failure definitions do not exactly equate with unknown customers, it is reasonable to say that when a business or a new venture does not make a sale, it means that the entrepreneurs and intrapreneurs do not know who their customers are.

    b. Unfocused market need – products or services that do not meet customer needs can result in the failure of a business or new venture (Frederick & Kuratko 2010; Stovall 2005). Intrapreneurs defined this issue as "*A business which has customers who are disgruntled with products or* *services*". Entrepreneurs defined the failure of a business in this context as "*A business that experienced growth in unhappy customers*". This can imply that the business and new venture started with the correct target market and were focused on meeting their needs. However, while the customers' needs have changed, the product or service did not. This assumption originates in an understanding of the phrases used by the participant which demonstrate that the business had customers who are now disgruntled or unhappy with the product or service.

Table 7-8: Marketing Failure Causes and Failure Definitions

Academic Authors	Academic Literature Causes of Business Failure	Business and New Venture Failure Definitions from Study's Findings	
		Entrepreneurs	Intrapreneurs
Buckley and Close (2002) Mullins (2005) Porter (2008)	Unknown customers (Porter's Customer Force)	• A new venture that is unable to make a sale • A new venture that suffer from lack of customers • A business or a new venture that is in the wrong place	• A new venture that is unable to make a sale • A new venture that has no response from customers
Buckley and Close (2002) Frederick and Kuratko (2010) Mullins (2005) Porter (2008) Rogoff, Lee and Suh (2004) Stovall (2005)	Unfocused Market need (Porter's Customer Force)	• A business that has growth in unhappy customers	• A business that its customers are disgruntled with products or service • A business that has disloyal customers
Buckley and Close (2002) Porter (2008) Rogoff, Lee and Suh (2004)	Substitutes, alternatives, indirect competition (Porter's Substitute Force)	• A business that has growth in unhappy customers	• A business that has disloyal customers
Gaskill, Van-Auken and Manning (1993) Mullins (2005) Porter (2008) Zacharakis, Meyer and DeCastro (1999)	Poor Supplier / Vendor Relations (Porter's Suppliers Force)		• A business that its owner is manipulating the clients and burning 7 - 10 year relationships because of money

2. Porter's Substitute Force – substitute products and services can be direct and indirect competition (Porter 2008). The intrapreneurs who used this definition used the phrase 'disloyal customers'. "*A failed business is a business that has disloyal customers*". Customers are disloyal when the product or service does

not meet their needs, or when the alternatives are more suitable. As the participants did not specify why the customers were disloyal or unhappy, these definitions are suitable for this failure cause as well as for unfocused market need. Both groups of participants agreed with this failure definition.

3. Porter's Suppliers Force – poor supplier and vendor relations. It is essential that these relations are good mainly when the company starts manufacturing, though they cannot be disregarded during the entire life of the business (Gaskill, Van-Auken & Manning 1993; Zacharakis, Meyer & DeCastro 1999). The intrapreneur who used this definition had blamed the manager / owner of the business for the failure of the business, as a result of their being arrogant and destroying established relationships with suppliers and customers. Therefore, he attributed the failure of the venture to the managers lack of managerial and strategically characteristics, concern with accumulating wealth ahead of all other considerations and failure to effectively run the business.

Entrepreneurs and intrapreneurs defined new venture and business failure by relating it to customers. Both groups of participants agreed that a business or a new venture that does not have any customers is a failed business or new venture. In addition, a business or a new venture that has customers who are not satisfied or loyal is a failed business as well.

7.2.2.2.3 Financial Failure Causes

Financial issues and excessive debt constitute a broad category of causes of failure. Pretorius (2009) suggests that financial failure causes are the result of bad management and business-related causes that result in losing the venture's cash. However, in this section, a failed business or new venture are defined as a business or new venture that lost its capital and is unable to pay its debts.

Table 7.9 provides a comparison between definitions of failure found in this study and causes of financial failure as found in the academic literature.

Entrepreneurs and intrapreneurs used financial definitions to define business and new venture failure. This is the only grouping of business failure causes in which the identified entrepreneurs and intrapreneurs were in full agreement.

The causes of financial failure are separated in the academic literature into internal and external. The external causes include changes in the local and global economies and interest rates that are unfavourable to entrepreneurs (Everett & Watson 1998; Richardson, Nwankwo & Richardson 1994; Rogoff, Lee & Suh 2004). However, not one of the participants in this research defined new venture and business failure with regard to external economic causes.

Table 7-9: Financial Failure Causes and Failure Definitions

<table>
<tr><td rowspan="2">Academic Authors</td><td rowspan="2">Academic Literature Causes of Business Failure</td><td colspan="2">Business and New Venture Failure Definitions from Study's Findings</td></tr>
<tr><td>Entrepreneurs</td><td>Intrapreneurs</td></tr>
<tr><td>Zacharakis, Meyer and DeCastro (1999)
Rogoff, Lee and Suh. (2004)</td><td>Financial issues and excessive debt</td><td>• A business or a new venture that had insufficient customer numbers to sustain break-even over time
• A business or a new venture that is unable to paying debts
• A business or a new venture that is lacking a sustainable cash flow
• A business or a new venture that lost its capital investment
• A new venture that drains cash from other businesses</td><td>• A business or a new venture that is in financial hardship
• A business or a new venture that is unable to paying debts
• A business or a new venture that is lacking a sustainable cash flow</td></tr>
</table>

In addition, three internal causes of financial failure mentioned in the academic literature were inappropriate use of finance (Carter & Wilton 2006; Gaskill, Van-Auken & Manning 1993), insufficient access to capital (Carter & Van-Auken 2006; Everett & Watson 1998; Stovall 2005; Van Auken, Kaufmann & Herrmann 2009) and financial issues and excessive debt (Rogoff, Lee & Suh 2004; Zacharakis, Meyer & DeCastro 1999).

None of the participants in this research defined new venture and business failure using the first two causes of failure. However, the majority of the participants in this study defined a failed new venture or business as a business that does not make a profit, lacks a sustainable cash flow or cannot pay its debts.

7.2.2.2.4 Product Failure Cause

When entering a market with a new product or service, a few problems may arise. The first is that, by the time the company developed the new product or service, another company entered the market with a similar (or better) product (Buckley & Close 2002; Lee & Lee 2005). A different problem may arise when the implementation of the product fails (McKenzie & Sud 2008; Zacharakis, Meyer & DeCastro 1999).

Table 7.10 provides a comparison between definitions of failure found in this study and product failure causes as found in the academic literature.

Table 7-10: Product Failure Causes and Failure Definitions

Academic Authors	Academic Literature Causes of Business Failure	Business and New Venture Failure Definitions from Study's Findings	
		Entrepreneurs	Intrapreneurs
Buckley and Close (2002) Lee and Lee (2005)	Lack of technology differentiation strategy	• A new venture which had its product superseded by newer technology	• A new venture which had its product superseded by newer technology
Buckley and Close (2002) McKenzie and Sud (2008) Zacharakis, Meyer and DeCastro (1999)	Poor Product Design	• A new venture which had a product under development that was not viable for the market	

Entrepreneurs and intrapreneurs defined a failed new venture as "*A new venture that had its product superseded by newer technology*", which is consistent with "lack of technology differentiation".

When trying to enter first to the market, entrepreneurs may put less emphasis on product design, and get out to the market with a poor and malfunctioning design (Buckley & Close 2002; McKenzie & Sud 2008; Zacharakis, Meyer & DeCastro 1999). Entrepreneurs participating in this research recognised this failure cause and used it as a failure definition. They understood that when the product that was the reason to start a new venture fails, the entire business is a failure. Therefore, they defined a failed new venture as "*A new venture that the product in development was not viable for the market*".

7.2.2.2.5 Opportunity Evaluation Causes

For a business or a new venture to succeed, its entrepreneurs and intrapreneurs must be able to evaluate opportunities. As part of the opportunity evaluation process, the entrepreneurs and intrapreneurs must find the market niche they want to enter. Furthermore, they must determine the size and understand the needs of the market (Douglas 2006; Frederick & Kuratko 2010; Hayward, Shepherd & Griffin 2006). To recognise the details of the market, the entrepreneurs and intrapreneurs must conduct a market research survey (Frederick & Kuratko 2010).

Intrapreneurs defined a failed new venture as "*A new venture that did not do proper market research*", thus emphasising the importance of market research for the success of the new venture. Interestingly enough, when asked what they learned from the failure of a venture, they said that it was that they had not conducted adequate market research, and that in their next venture they will invest in better market research before spending money on starting the business. Likewise, they suggest to novice and nascent entrepreneurs that they place a heavy emphasis on marketing research. This may suggest that the intrapreneurs who defined new venture failure in this way had difficulties in finding the right market for their product or service.

Some of the entrepreneurs in this study defined a failed business as "*a business that is unable to sustain viability*" and "*A business or a new venture that fails to become commercially sustainable*". Although this definition is not mentioned as a proper opportunity evaluation failure cause, Timmons and Spinelli (2009) emphasised the importance of sustainability for the success of a new venture.

7.2.2.3 Failure Definitions that are not mentioned in the Academic Literature

Table 7.11 provides a list of the definitions of failure that participant used, though they are not found in academic literature as definitions or causes of failure. Once again, the list is divided between entrepreneurs' and intrapreneurs' definitions.

The definitions of new venture and business failure that were suggested by entrepreneurs who participated in this study, and were not found in the literature, can be divided into two groups. The first group is drawn from personal views, and the second is business-related.

1. Personal-related definitions – Entrepreneurs defined new venture and business failure with expressions that emphasised their feelings toward the failure or the effects it had on their life. These definitions can be attributed to "falling short of

goals". However, they are not the usual goals that one defines when starting a new venture.

a. Feelings – It seems that when entrepreneurs defined business and new venture failure based on their feelings, they do not care why the business failed. Rather, they feel guilty and embarrassed because of it. Shepherd (2003) emphasised that new venture failure generates negative emotional responses, such as grief. However, he defined new venture failure as bankruptcy. Whilst the entrepreneur who defined a failure of a new venture or business as "*A business or a new venture that leads the entrepreneur towards guilt and embarrassment feelings*" did not explain whether or not the business was closed.

b. Stress – Entrepreneurs defined the failure of a new venture or business as "*A business or a new venture that causes stress in the founder's life*". These entrepreneurs could not cope with the stress, and consequently saw it as a personal failure. This is not connected to the venture's objective situation, but more likely to the entrepreneurs' ability to manage the business.

c. Insights – One entrepreneur defined a failed business or new venture as "*a new venture that resulted in insufficient learning*". This definition was given by another entrepreneur in a conversation before he agreed to participate in the study. However, he did not mention it when answering the questionnaire. This might be because he was more self-conscious when interviewed than when talking freely. This is an important definition that can be seen as part of the definition "falling short of goals", as it disregards the venture objective stage. However, the academic literature mentioned learning from ventures as a result of the experience gained and not the goal of the venture. Therefore, this definition is an addition to the body of knowledge.

   A similar definition of failure given by entrepreneurs is "*A business or a new venture that is not creatively satisfying and has a lack of vision*". Once again, this definition can be seen as related to the definition "falling short of goals". However, the academic literature escribes creativity and vision as parts of the entrepreneurial journey (Bolton & Thompson 2004) and its goal. Therefore, describing a lack of creativity and vision as a definition of failure of a new venture or a business is a new way to observe new venture and business failure.

   d. Given up – The entrepreneur just ceased to make the effort and started to pursue a new venture. There is no explanation of the entrepreneur decision to give up, for example, whether he found the venture boring, or not successful from a financial point of view. In any case, the entrepreneur decided that he was leaving the venture and searching for a new one.

   e. Income – Entrepreneurs and intrapreneurs defined a business and new venture failure as an event that forced them to re-enter paid employment or find other income. Sarasvathy and Menon (2003) described entrepreneurs who left their ventures and re-entered paid employment as failed entrepreneurs. Furthermore, Bolton and Thompson (2004) did not see these people as entrepreneurs, as they lack the habitual characteristics that is a part of their definition of entrepreneurs. However, as the entrepreneurs who defined failure using re-entering paid employment as a definition of failure are serial entrepreneurs, it seems that they have started a new venture after a period of employment or worked as intrapreneurs for a while before starting their next new venture.

2. Business-related definitions – Three of the definitions of failure are related to the business. It seems that according to these definitions, the entrepreneurs decided that once the new venture or business started to fail they defined it as a failure and moved on. However, none of the entrepreneurs who used these definitions attributed them to financial hardship.

   a. Declining - Entrepreneurs defined a failed business or new venture as "*A business or a new venture that suffered from declines in sales or staff numbers*". These entrepreneurs are aware of the situation of the business and understand that when a business starts to lose staff members, it is better to close before entering into administration and bankruptcy.

b. All circumstances wrong – A different definition of failure was "*A business or a new venture that is in the wrong market at the wrong time in the wrong place*". A definition of failure which means that everything in the new venture or business is wrong. It seems that the entrepreneurs who founded this business did not do any research. They had an idea and just started the venture. The entrepreneurs who defined venture failure using this expression suggested later that when starting a new venture, one needs to be prepared and to do all possible research before opening a business.

c. Fatal flaw - Other entrepreneurs have defined a failed business or new venture as "*A business that has a crucial flaw in its business model*". This definition is an addition to the former definition. It seems that, once again, the founders did not search for fatal flaws beforehand, and found them only after they started the business.

Table 7-11: Entrepreneurs and Intrapreneurs' Failure Definitions

Personal-related definitions:	
Entrepreneurs' definitions	• A business or a new venture that leads the entrepreneur towards feeling guilt and embarrassment. • A business or a new venture that causes stress in the founder's life • A business or a new venture that stimulated insufficient new learning • A business or a new venture that is not creatively satisfying and suffered from lack of vision • A business on which its founder gave up and started pursuing a new business
Entrepreneurs' and intrapreneurs' definitions	• A business or a new venture that forced the founder to re-enter employment or find other income
Business-related definitions	
Entrepreneurs' definitions	• A business or a new venture that is suffering from declining sales or staff numbers • A business or a new venture that is in the wrong market at the wrong time and in the wrong place • A business that has a crucial flaw in its business model

All the definitions of failure that are mentioned in this section are additions to the body of knowledge, as they take a different view of business and new venture failure. The entrepreneurs and intrapreneurs did not relate the failure to a known cause of failure. Rather, they defined it from their own feelings and experiences of failure.

7.2.2.4 New Venture and Business Failure Definition Summary

The participants in this research did not distinguish between causes of failure and definitions of failure, as is done in academic literature. Therefore, they have defined venture failure in phrases that the academic literature used to define causes of failure. Defining new venture and business failure with failure causes phrases, may suggest they have reflected on their actions and understand why the venture failed. The failure definition reflects on the experiences that the entrepreneurs and intrapreneurs gained from the failure, therefore, implies on learning.

Table 7.12 provides the definitions of failure outlined in the academic literature and their acceptance or rejection in this study, based on the participants' definitions of failure.

Table 7-12: Acceptance and Rejection of Academic Failure Definitions

Academic Definition	Participants	
	Accept	Reject
Discontinuance of business	+	
Discontinuance of ownership		+
Business liquidation to prevent further losses	+	
The firm's value falls below the opportunity cost of staying in business		+
Ventures that fail to provide an adequate return for the VCs	With changes	
A business that is not earning an adequate return.	+	
Bankruptcy	+	
Business turnover		+
Failing to "make a go of it"	+	
A deviation from the entrepreneurs' desired expectations	+	
Falling short of goals	+	
The entrepreneurs' dissatisfaction with the venture's progression	+	

This study rejects three academic definitions of failure: discontinuance of ownership, the firm's value falls below the opportunity cost of staying in the business and business turnover. In addition, this research accepts the definition of failure "ventures that fail to provide an adequate return for the VCs", with a slight change. The entrepreneurs and intrapreneurs who participated in this research disregarded the venture capital firms and emphasised that the firm should provide an adequate return that should be invested back into the business.

In addition to causes of failure and common definitions of failure from the academic literature, entrepreneurs and intrapreneurs provided definitions of business and new venture failure that were related to their personal experiences. These definitions emphasise the feelings the entrepreneurs and intrapreneurs have towards the failure. Although these definitions can be attributed to the "falling short of goals" definition, they come from a personal view regarding grief, learning, creativity and stress.

In the new business-related definitions, the participants in this research defined failure as a flaw that was found in the business. Although this can be attributed to managerial failure causes, it is more detailed and takes a different point of view from failure definitions and causes that were found in the academic literature.

As described in the data analysis, entrepreneurs and intrapreneurs perceived business and new ventures in different ways. While entrepreneurs did not differentiate between a new venture and a business, intrapreneurs saw them as two separate entities. Therefore, entrepreneurs included business failure and new venture failure in the same definition, while intrapreneurs placed each type of entity in a different category.

The majority of the entrepreneurs who participated in this research defined a failed new venture and business as "*a failed business or new venture is a business or new venture that does not make a profit and is lack of cash*". On the other hand, the majority of the intrapreneurs who participated in this research defined a failed business as "*a failed business is a business that is not managed properly*", and a failed new venture as "*a failed venture is a venture that does not grow*". It is interesting to see that the intrapreneurs defined business failure in terms that attributed blame to the business managers.

However, the second-most common definition for business and new venture failure was accepted by the entrepreneurs and intrapreneurs. They defined a failed new venture and business as "*a new venture or a business that is falling short of goals*".

7.2.3 Venture Failure Decision

A new venture or a business can be defined as failed due to decisions forced on the owner externally (such as in the case of bankruptcy) or by the entrepreneurs' or intrapreneurs' own hand. Therefore, the participants in this research were asked how they had decided that their business or new venture had failed. Participant entrepreneurs were asked to explain how they decide that their venture is failing. Likewise, participant intrapreneurs were asked about their reasoning for the new venture failure decision.

Academic studies that targeted recognition of failure and stages of decline of companies used literature reviews or targeted businesses' financial documentation (Fredland & Morris 1976; Pretorius 2009). However, articles that asked the entrepreneurs and intrapreneurs to explain why they decided that their business or new venture failed are scant.

The majority of the entrepreneurs answered that they decided on the basis of financial circumstances that the business had failed. However, none of the participants said that his or her business went into administration procedures. This is consistent with the definition of business failure given by the majority of the entrepreneurs who participated in this research.

The majority of the intrapreneurs, on the other hand, stated that they decide that their new venture is failing when it is not meeting its goals, even after they have changed the product or amended the goals. Interestingly the definition of new venture failure that was given by the majority of the intrapreneurs was a venture that does not grow. The definition "not meeting the venture's goals" was only the second-most common definition.

However, although most of the participants in this study answered this question, two participants said that the decision that the venture had failed was forced on them. They felt that the ventures were succeeding, and that others lost faith in the product or simply lost patience. This is part of the paradoxical nature of new venture and business failure as different people can perceive the same venture at the same time in different ways. One can consider it a successful venture, while another will see it as a failure.

7.2.4 Entrepreneurial Learning

This research defined entrepreneurial learning as "*the creation of knowledge that leads to behavioural change*" (Chapter 3), emphasising experiential learning as entrepreneurs and intrapreneurs' preferred learning strategy (Harrison & Leitch 2005; Lumpkin 2005).

Rae (2004a) emphasised that entrepreneurs prefer practice to theory, a phenomenon that influences their learning styles. Therefore, learning is achieved while creating, managing and failing new ventures rather than in formal classes. Furthermore, Kolb, Boyatzis and Mainemelis (2000) and Politis and Gabrielsson (2009) emphasised that entrepreneurs preferred experiential learning.

The majority of the participants in this study demonstrated learning from their failed venture. Only two participants said that there is nothing to learn from venture to venture, as each venture is so different. Therefore, there is no useful experience they can take with them to the next venture. However, both of them suggested experiences that they will avoid in their next venture. This implies that, even if they did not realise it, they have learned unintentionally from their failed ventures. Clarke et al. (2006) emphasised the importance of learning intentionally, in order to ensure better performance in any future venture.

The questionnaire in this research was designed to show learning in three different ways. The first was a straightforward question that asked the participants to evaluate the change in their skills. The second asked the entrepreneurs to explain the reason for their failure decision, as this reasoning shows reflectivity and the learning that results from it. The third set of questions that demonstrated learning were those targeting what the participant will take with them to the next venture and what they will leave behind. Once again, this type of decision requires retrospective reflection on the failed venture.

7.2.4.1 Change in Skills

Mumford (2002: 4) explains that learning occurs when "people can demonstrate that they know something that they didn't know before (insights and realisations as well as facts) and / or when they can do something they couldn't do before (skills)". Therefore, when entrepreneurs demonstrate that their managerial and financial skills and their ability to add value, improved as result of the venture's failure, they prove that they have learned.

The data analysis demonstrated that the majority of the participants in this research had improved their managerial and financial skills and their ability to add value. The change in skills confirms that the participants learned from their failed new ventures.

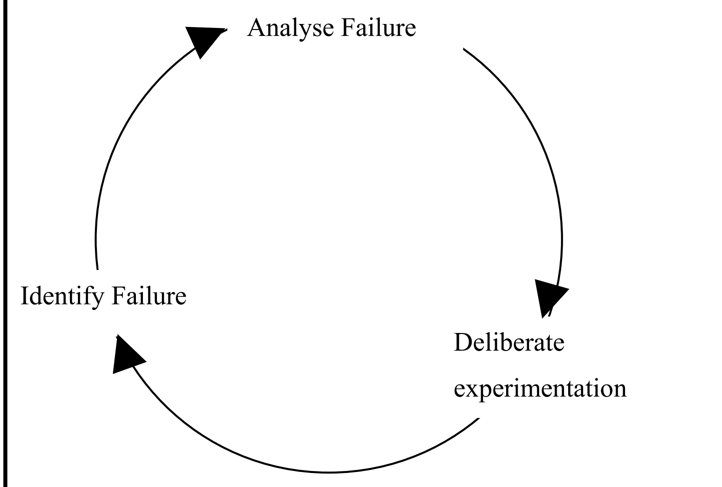
It was expected that some of the participants would mention that there was no change in their skills. However, it is interesting to note that some participants said that their managerial skills were worse.

It is noteworthy that one of the entrepreneurs who rated herself an unsuccessful manager believed that after her failed venture her managerial and financial skills and her capacity to add value, did not change or become worse. It is important to mention that she reacted to the failure by returning to paid employment, and after a while started a new venture. Today she owns and manages a business. Her feeling that she did not improve her skills can be attributed to the grief she suffered as result of the failure (Shepherd 2003).

7.2.4.2 Explaining the Decision of Failure

Entrepreneurial learning is based on gaining experience (Cope 2005). As suggested in Chapter 3, learning from failure has three stages: identifying the failure, analysing it and conducting a deliberate experiment (Figure 7.4).

Figure 7-4: Entrepreneurial Learning from Failure



Source: adapted from Cannon and Edmondson (2005)

The entrepreneurial learning cycle is demonstrated in this study by the combination of failure decision (identify failure), decision reasoning (analyse failure) and experiences that the participants see as useful for, or will avoided in their next venture (as a result, their next venture will be their deliberate experimentation). Experiences that the participants described as useful can be referred to as positive, whilst experiences to avoid repeating are negative.

Table 7-13: Failure Decision Reasoning Combined with the participants experiences – Participants' Direct Responses

Participant entrepreneurial type	Question	Answer
I1	Failure decision	Just didn't give the return for the effort
	Decision reasoning	We didn't spend enough time investigating to sufficiently detailed and legalised it. Over self-confidence that you just rush out, spend a couple of hundred thousand into it and see what happens
	Useful experience for next new venture	Yes, discount excessive optimism
	Experience to avoid in next new venture	You learn not to be so optimistic and a bit more cynical about things. I don't know, beyond that. Starting a business is all about timing, not only time to market but time that you have the right people around you, the politics, timing is always a difficult one, being the first entrance in the marketplace, you have to be do all the educating, and that is very hard. The smartest ones are probably the 3rd, 4th or 5th, they saw some of your mistakes added a couple of features, riding on your education. So being first is not always the best
E1	Failure decision	Doesn't meet it's requirements
	Decision reasoning	Cash flow and low market demand
	Useful experience for next new venture	To plan in greater-detail. Do my homework on the market more thoroughly before starting. Have adequate start up cash to take the business where it needs to go
	Experience to avoid in next new venture	To get the right staff
E2	Failure decision	I did not think it was failing; others lost confidence in it and pulled the plug. They did not give it enough time or money. They were too risk-averse
	Decision reasoning	I did not decide, it was decided for me because of overspending the initial budget
	Useful experience for next new venture	Introduce good systems and processes right from the start
	Experience to avoid in next new venture	Teaming up with the wrong partners
E3	Failure decision	If you cannot pay your debts and not making a profit
	Decision reasoning	Wrong product in the wrong place
	Useful experience for next new venture	Do a proper market survey
	Experience to avoid in next new venture	Competition in the area
E4	Failure decision	Doesn't make a profit
	Decision reasoning	Increased competition and a decrease in customers
	Useful experience for next new venture	Understand the marketing process
	Experience to avoid in next new venture	No

By explaining why they thought their venture failed, the participants needed to have reflected on their decision. The next step after reflection is to demonstrate what they have learned. This is done by deciding which of the experiences from the failed venture were useful for the next venture and which should be avoided. The data contained in Table 7.13 demonstrates reasoning combined with helpful and cautionary advice given by the participants in this study based on their personal experiences. The table is divided into intrapreneurs (I) and entrepreneurs (E).

As defined above, learning is the creation of knowledge. Entrepreneurs learn by changing their experiences into knowledge which will be useful in future ventures (Corbett 2005; Kolb 1984; Mainemelis, Boyatzis & Kolb 2002; Politis 2005; Politis & Gabrielsson 2009). Learning is verified when a direct link can be found between experiences the participants decided to convert into knowledge, to repeat or to avoid repeating in their next venture and the explanation of why they decided that their venture failed, as demonstrated in Table 7.13.

For example, E1 (Table 7.13) identified that his venture was failing when he recognised that the venture was not meeting its requirements. He then analysed the failure and understood that the reason that it happened was that the venture had insufficient cash flow and there was a low market demand for the product. The resultant learning from this analysis was the experiences that the entrepreneur will take with him to his next venture: plan in greater detail, research the market more thoroughly before starting the new venture and have adequate start-up cash to take the business where it needs to go.

For each of the entrepreneurs and intrapreneurs whose opinions are displayed in Table 7.13 this logic can be traced. E4 decided that his venture was a failure when it did not make a profit. When he analysed the situation, he understood that this happened as result of increased competition that resulted in a decrease in customers. The lesson learned from this episode was the need to have a better understanding of the market process. Therefore, the adapted learning cycle (Figure 7.4) that was suggested in Chapter 3 seems to be confirmed by the participants in this study.

7.2.4.3 Reflection on Failed Ventures

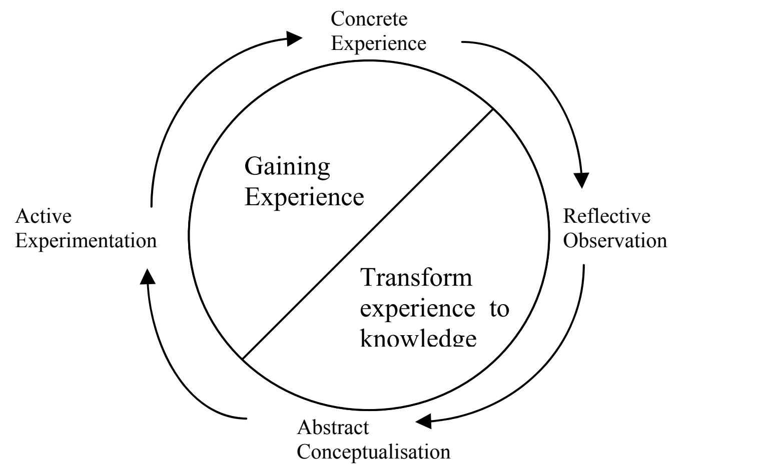
Entrepreneurs and intrapreneurs learn from each of their experiences, good or bad (Politis & Gabrielsson 2009). This type of learning is called action or experiential learning.

Experiential learning includes two modes; grasping experience and transforming that experience into knowledge (Mainemelis, Boyatzis & Kolb 2002), as shown in figure 7.5.

The reflective observations and abstract conceptualisations in this study are demonstrated by finding connections between the experiences the participants described and their suggestions to novice and nascent entrepreneurs and intrapreneurs. These experiences can be experiences to avoid or to replicate.

Table 7.14 displays experiences of the intrapreneurs (I) and entrepreneurs (E) who participated in this study had and the related suggestions they have given.

Figure 7-5: Experiential Learning Cycle



Source: Adapted from: Mainemelis, Boyatzis & Kolb (2000)

For example, I1 mentioned that a useful experience he is taking from the failed venture is "*ensuring the right people are allocated to the job*". The suggestion he gave to novice and nascent entrepreneurs and intrapreneurs was "*don't be afraid to hire people more skilled than you*". This illustrates that this intrapreneur transformed his experience into knowledge. The experiences that the participants changed into knowledge were favoured and unfavoured experiences, as illustrated in the next example. Entrepreneur 2 stated that an experience to avoid is "*blindly following old owners*". As result of that experience, his suggestion was "*Do not ignore your gut instinct, doesn't matter how good an idea sounds*". This can imply that the former owner had tried to convince him to go against his "gut feelings". When this course of action did not succeed, he learned that he should believe in his own understanding of the business and its opportunities.

This logic can be found in each row of Table 7.14. The entrepreneurs and intrapreneurs who participated in this research gained knowledge from their experiences, and were happy to share this knowledge.

Table 7-14: Participants' Experiences and Related Suggestions – Participants' Direct Responses

Number	Useful experience	Experience to avoid	Suggestion to novice and nascent entrepreneurs
I1	Ensuring the right people are allocated to the job	Rushing to meeting arbitrary deadlines	Don't be afraid to hire people more skilled than you are
I2	Marketing and business development are not to be understated and are very important.	Invest more in automation upfront	Invest in business development and marketing
I3	Ensure clarity of solving a client or customer pain point	Timewasters - seeing through people to ensure trust	Make sure the product or service clearly solves a customers pain point
E2		Blindly following old owners	Do not ignore your gut instinct, doesn't matter how good an idea sounds
E3	Be very careful who you bring in as partners	Bringing in wrong people	Be very careful who you bring in as partners
E4	Yes, know your stakeholders and investors!!!!	Yes, fund it myself!	Study investors beforehand
E5	Persistence	People are the key.	Business planning and persistence
E6	Yes, never be optimistic	Being optimistic	Assume will work half as much, cost twice as much, take twice as long
E7	To plan in greater detail. Do my homework of the market more thoroughly before starting. Have adequate start up cash to take the business where it needs to go	To get the right staff	Detach yourself from the excitement of the product / survive you are selling and do your homework from a non-passionate perspective
E8	Everything takes longer and costs more than is expected and or budgeted for	Insufficient capital	Ensure you have: - done detailed market research - sufficient capital - an independently pre-assured and conservatively tested budget
E9	Introduce good systems and processes right from the start	Teaming up with the wrong partners	Take your time in setting up the business and developing your product, don't hurry and in the process make costly mistakes and create a bad impression. Think your business model through over and over. Look for those hidden aspects that can potentially cause your business to fail - they are often very difficult to see
E10	Do a proper market survey	Competition in the area	Do a market survey including Human Resource, remuneration, environment (externally and internally)
E11	Understand the marketing process		Spend a lot of time and money on due diligence and then buy with your head not your heart. Be prepared to walk away sooner rather than later even if you have spent a lot of money

By demonstrating the connection between experiences and suggestions to novice entrepreneurs and intrapreneurs, the participants in this research confirm the adapted experiential learning cycle.

7.2.5 Suggestion to Novice Entrepreneurs

Most of the suggestions that the participants in this research gave to novice and nascent entrepreneurs and intrapreneurs can be related to causes of failure that were found in the academic literature. This section compares suggestions made by the participants with causes of failure as suggested in the academic literature (Table 7.15).

1. Management strategy – the cause of failure is defined as poor management strategy. Poor strategy will influence the entire organisation (Connell et al. 2001; Gaskill, Van-Auken & Manning 1993; Rogoff, Lee & Suh 2004; Zacharakis, Meyer & DeCastro 1999). Participants in this research emphasised the importance of having clear goals and building the business around them. Another suggestion ith regarding to management strategy is "*do not start too small*". These suggestions are related to management strategy and when implemented can prevent poor management strategy.

2. Missing entrepreneurial characteristics – Thompson (2004), Rogoff, Lee and Suh (2004) and Stovall (2005) argue that, when added to other reasons for failure, missing entrepreneurial characteristics contributes to the failure rates. The participants in this research highlighted persistence and believing in the venture as the most important entrepreneurial characteristics that novice and nascent entrepreneurs and intrapreneurs need to have.

3. Over-optimistic and over-confident – The academic literature and the participants in this research agree that over-optimism can lead to venture failure. Therefore, it is suggested that entrepreneurs and intrapreneurs not be over-optimistic and to leave the venture before it is too late (such as in the case of bankruptcy).

Table 7-15: Participants' Suggestions versus Failure Causes

Academic Author	Academic Literature	Participants Suggestions
Gaskill, Van-Auken and Manning (1993) Zacharakis, Meyer and DeCastro (1999) Buckley and Close (2002) Rogoff, Lee and Suh (2004)	Poor management Strategy	• Have clear goals, and write your business plan accordingly • Do not start too small, but do it with caution
Richardson, Nwankwo and Richardson (1994) Rogoff, Lee and Suh (2004) Stovall (2005) Pretorius (2009)	Missing entrepreneurial characteristics	• Be persistence and do not give up easily • Believe in your venture, others may try to discourage you. Do not let them influence you and trust your instincts
Cooper, Woo and Dunkelberg (1988) Richardson, Nwankwo and Richardson (1994) Lee and Lee (2005) Douglas (2006) Hayward, Shepherd and Griffin (2006)	Risk taking over confidence over optimistic	• Do not be over optimistic and over confident. Be prepared to walk away sooner rather than later if you feel that the venture is not reaching its goals.
Mitchell, Mitchel and Smith (2004) Douglas (2006) Hayward, Shepherd and Griffin (2006)	Inexperience	• Develop the required skills to manage a business (regardless if the venture is the business or embedded in an organisation). • Do not rely too much on professional staff. Be able to understand basic financial statements, market research results and so on. You do not need to know how to write them but you need how to know to read them
Seshadri (2007) McKenzie and Sud (2008)	Partners	• Choose your partners carefully. You need to be able to compliment each other and be able to work together in stressful times
Seshadri (2007)	Key people incompetent	• Avoid bringing in the wrong people. Hire quality staff and do not be afraid to hire smart people • Make sure you hire only staff you trust and do not worry about the costs.
Gaskill, Van-Auken and Manning (1993) Carter and Wilton (2006)	Inappropriate use of financing	• Invest back in the business before giving dividends to stakeholders
Everett and Watson (1998) Stovall (2005) Carter and Van-Auken (2006)	Insufficient access to capital	• Have a good financial plan and ensure you have sufficient funding to survive until sales form a profit • Be good at raising finance and avoid unnecessary costs
Zacharakis, Meyer and DeCastro (1999) Rogoff, Lee and Suh (2004)	Financial issues and excessive debt	• Know your break-even point and the profit margins you can allow yourself in order to stay in the business

Academic Author	Academic Literature	Participants Suggestions
Buckley and Close (2002) Mullins (2005)	Unfocused market need	• Do an adequate market research. Make sure you know whom your customers are and that your product or service solves the client's pain point
Buckley and Close (2002) Douglas (2006) Hayward, Shepherd and Griffin (2006) Timmons and Spinelli (2009)	Opportunity evaluation	• Do not spend too much on building the venture before you tested your idea and ensured there is a real opportunity in it

4. Inexperience – The participants stressed the importance of not relying on professional staff. They have suggested that the novice and nascent entrepreneurs and intrapreneurs will develop the required skills to manage their venture and to understand its financial and marketing aspects.

5. Partners – Businesses can fail when partners have disagreements that prevent them from working together (McKenzie & Sud 2008; Seshadri 2007). Therefore, entrepreneurs and intrapreneurs should choose their partners carefully. They should compliment each other and be able to work together.

6. Key people incompetent – As with partners, while entrepreneurs and intrapreneurs should acquire the needed skills, they should still hire the most qualified people for each position. In addition, they should not be afraid of hiring people who are smarter than themselves.
   Recruiting incompetent people such as family and friends can drag the business towards failure (Cressy 2006; Rogoff, Lee & Suh 2004; Zacharakis, Meyer & DeCastro 1999).

7. Financial issues – The participants emphasised the importance of having sufficient access to capital, of using it properly and of investing profits back into the venture. Carter and Van-Auken (2006) and Van-Auken, Kaufmann and Herrmann (2009) stressed that having the correct amount at the correct time is essential. After raising the funds, entrepreneurs and intrapreneurs must use it properly and wisely, so that it will last long enough for the company to succeed, or at least until the next funding round (Carter & Wilton 2006; Gaskill, Van-Auken & Manning 1993).

8. Unfocused market needs – entrepreneurs must assess whether or not there is a real demand for their product or service, as a new venture will survive only if a market exists for its product or service (Frederick & Kuratko 2010; Mullins 2006; Rogoff, Lee & Suh 2004; Stovall 2005). To overcome this issue, the participants in this study suggested that novice and nascent intrapreneurs and entrepreneurs should conduct adequate market research, before proceeding with the process of creating a new venture.

9. Opportunity evaluation – before entrepreneurs start their ventures, they should check whether or not their idea is a real opportunity. When done properly, the opportunity evaluation should check most of the risk factors (Buckley & Close 2002; Douglas 2006; Hayward, Shepherd & Griffin 2006; Timmons & Spinelli 2009). The participants in this study suggested that novice and nascent entrepreneurs and intrapreneurs should not spend money on a new venture before testing it and sincerely evaluating the opportunity.

Although these suggestions do not add to the body of knowledge, they confirm that entrepreneurs and intrapreneurs perceive them as important lessons the learned from their failed ventures.

7.2.5.1 Suggestions that are Not Mentioned in the Academic Literature

The following suggestions cannot be related to causes or definitions of failure found in the academic literature.

- Entrepreneurs and intrapreneurs should be prepared for the reality that some ventures fail. They should detach themselves from the venture and search for fatal flaws in the planned venture before starting it. When finding the flaws, they must prepare a plan that will enable them to be avoided.

- Entrepreneurs and intrapreneurs should invest time in setting up the new venture and developing their product, as being first in the market is not always worthwhile. They should spend enough time and money on due diligence, remembering that bugs in the products can create a bad impression.

- Entrepreneurs and intrapreneurs should focus only on those aspects that drive the business forward and avoid timewasters.

- Each venture is part of a learning curve. Therefore, entrepreneurs and intrapreneurs should accept any failure or success as a learning experience that will help them in their next venture.

These suggestions contain an addition to the body of knowledge. They perceive new venture failure as a learning stage and imply the importance of learning from it. The most important addition to the body of knowledge is the suggestion that novice and nascent entrepreneurs and intrapreneurs should be prepared before they start a new venture. In addition to the common preparations such as opportunity evaluation, market research and raising funds, the participants suggested that the entrepreneurs and intrapreneurs should be prepared to accept that their venture might fail.

Another suggestion offered is that the entrepreneurs and intrapreneurs should take their time and not rush to be first in the market. Being in that position, mainly with a new and innovative product, means that the founders need to educate their customers. This may be worthwhile for intrapreneurs who have the funds and structures of a mature business, but at the same time it can be the reason for the failure of a start-up company.

Two more important suggestions were also made. The first is to focus only on things that drive the business forward. The second is to remember that each new venture is part of the entrepreneurial learning process. Therefore, accept each result of a venture, whether a success or a failure as a learning stage.

7.3 Recommendations – Practical Implications

The outcomes of practice-based theory are practical and academic theories. This section will describe the practical implications of the study. The recommendations are attributed to the research questions.

A significant addition to the body of knowledge in this domain is depicted. Since this study is a first of its kind to integrate entrepreneurial learning and new venture failure, the following finding is highlighted: Venture failure is not perceived in a negative context by entrepreneurs, as long as they learn from the experience/s. As such, it is identified that ventures fail, not entrepreneurs! This finding would, however, provide a base for further empirical research into the psychological aspects of entrepreneurs' perceptions to new venture failure.

This thesis had three research questions:

1. How do entrepreneurs and intrapreneurs perceive venture failure?
2. What is it that entrepreneurs and intrapreneurs learn from new venture failure?
3. What is the difference, if any, between entrepreneurs' and intrapreneurs' learning from venture failure?

Entrepreneurs and intrapreneurs perceived business and new venture failure differently. While entrepreneurs defined a failed business as a business that does not make a profit and is lacking cash, intrapreneurs defined it as a business that is not managed properly. In addition, entrepreneurs defined new venture failure as being similar to business failure, whilst intrapreneurs defined a failed new venture as a venture that did not grow. This implies that there is a difference between the ways in which entrepreneurs and intrapreneurs perceived businesses and new ventures.

Although intrapreneurs distinguished between new ventures and businesses, whilst entrepreneurs saw them as the same, the study found that the entrepreneurs and intrapreneurs learned similar things from venture failure. There follow a list of suggestions given by experienced intrapreneurs and entrepreneurs to novice and nascent entrepreneurs and intrapreneurs:

1. *Be prepared –*
   - 1.1. The entrepreneurs and intrapreneurs should be prepared for the reality that some ventures fail. They should detach themselves from the venture and search for fatal flaws in the planned venture before starting it. When finding the fatal flaws, the entrepreneurs and intrapreneurs should prepare a plan which contains details of how to avoid them.
   - 1.2. The entrepreneurs and intrapreneurs should not spend too much on building the venture before they have tested their idea and ensured that there is a real opportunity in it.

1.3. The entrepreneurs and intrapreneurs should invest time in setting up the new venture and developing their product or service, as being first in the market is not always worthwhile. They should spend enough time and money on due diligence, and remember that bugs in the products can create bad impression.

1.4. The entrepreneurs and intrapreneurs should conduct adequate market research, making sure that they know who their customers are and that their product or service solves the client's pain point.

1.5. The entrepreneurs and intrapreneurs should assume that everything takes longer, costs more and is not always applicable.

1.6. The entrepreneurs and intrapreneurs should have a good financial plan and ensure that they have sufficient funding to survive until sales produce a profit.

2. *Personal*

2.1. The entrepreneurs and intrapreneurs should believe in their venture, as others may try to discourage them. However, they should not let others influence them and should trust their own instincts.

2.2. The entrepreneurs and intrapreneurs should be persistent and not give up easily.

2.3. The entrepreneurs and intrapreneurs should not be over-optimistic and over-confident. They should be prepared to walk away, sooner rather than later, if they feel that the venture is not reaching its goals.

2.4. The entrepreneurs and intrapreneurs should focus only on those aspects that drive the business forward and avoid timewasters.

3. *Management*

3.1. The entrepreneurs and intrapreneurs should have clear goals, and write their business plan accordingly.

3.2. The entrepreneurs and intrapreneurs should not start too small, but with caution.

4. Team / Partnership

4.1. The entrepreneurs and intrapreneurs should avoid bringing in the wrong people. They should hire quality staff and not be afraid to hire smart people, also making sure they hire only staff they trust and do not worry about the costs.

4.2. The entrepreneurs and intrapreneurs should choose their partners carefully. They need to be able to compliment each other and be able to work together in stressful times.

5. *Financial*

5.1. The entrepreneurs and intrapreneurs should be good at raising finance and avoid unnecessary costs.

5.2. The entrepreneurs and intrapreneurs should know their break-even point and the profit margins they can allow themselves in order to stay in the business.

5.3. The entrepreneurs and intrapreneurs should invest back into the business before giving dividends to stakeholders.

6. *Learning*

6.1. The entrepreneurs and intrapreneurs should develop the required skills to manage a new venture.

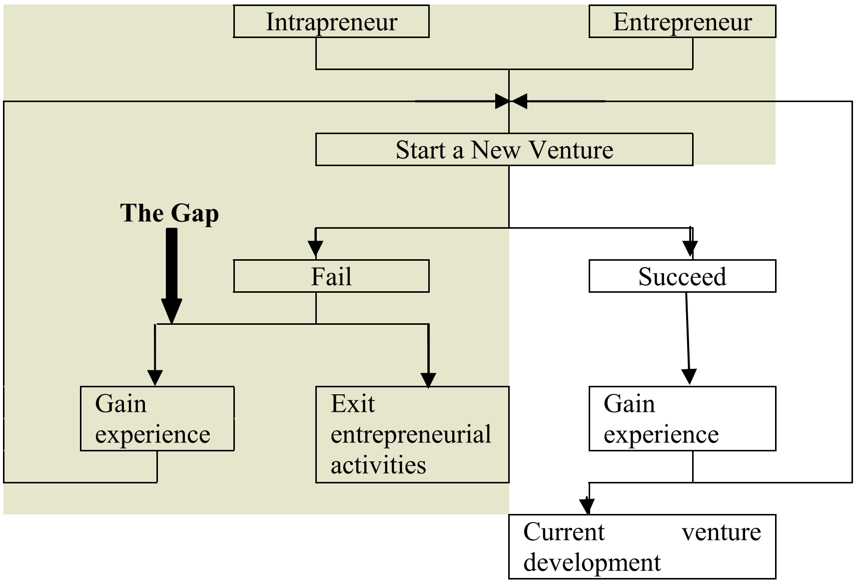
6.2. The entrepreneurs and intrapreneurs should not rely too much on professional staff. They should be able to understand basic financial statements, market research results and so on. They do not need to know how to write such documents but they need to know how to read them.

6.3. The entrepreneurs and intrapreneurs should perceive each venture as part of a learning journey. Therefore, they should accept any failure or success as a learning experience that will help them in their next venture.

The main research question in this thesis was what it is that can be learned from new venture failure. This question is demonstrated as the gap in the conceptual model of this study (Figure 7.6). The suggestions in the list above answer this question, by demonstrating what the participants have learned from their failed ventures, as discussed in section 7.2.4.3

Figure 7.7 shows the updated conceptual model of this research. It embedded the experiences gained by the participants from their failed ventures. These experiences were expressed as suggestions to novice and nascent entrepreneurs and intrapreneurs. The data in Figure 7.7 was drawn only from shaded parts of Figure 7.6, which are within the ambit of this research.

Figure 7-6: Conceptual Model



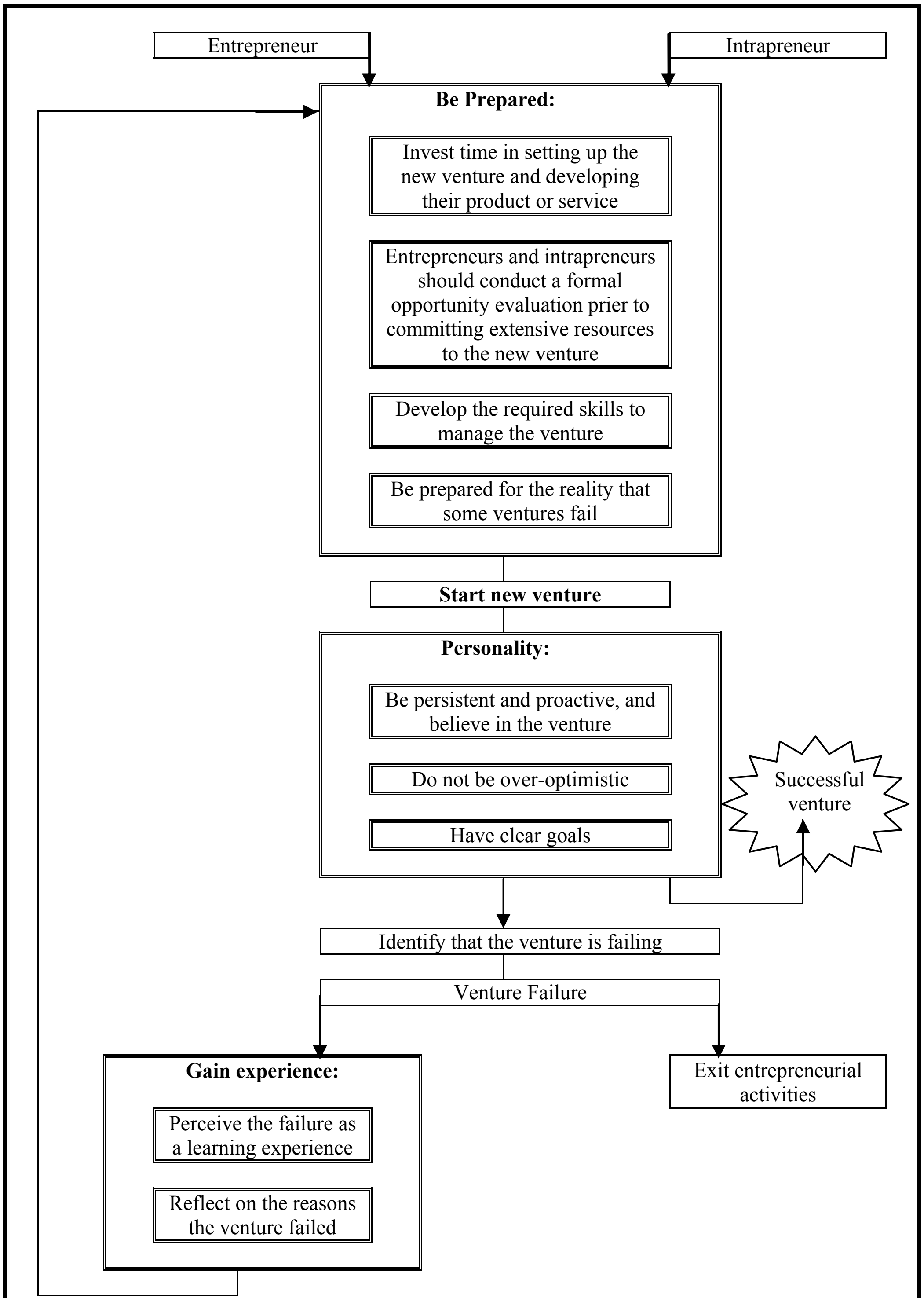
Source: Developed for this research

Before entrepreneurs and intrapreneurs start new ventures they should prepare. They should evaluate their opportunity, develop the required skills to manage the new venture and be emotionally prepared for the possibility that the venture might fail. After starting the new venture, they should be persistent and believe in it.

However, they should not be over-optimistic. Hopefully, the venture will succeed. However, if not, the entrepreneurs and intrapreneurs gain experience by reflecting on their actions and start a new venture.

One of the participating entrepreneurs summarised the situation in the best possible way: "*For me there is no such thing as failure. When things do not work out as planned, then I review the reasons and ask what should be done differently to ensure that I do not make the same mistakes. I pick myself up and move on. 'Failures' are life's lessons*".

Figure 7-7: Reformatted Conceptual Model



Source: Developed for this study

7.3.1 Implications

Entrepreneurial learning can be understood in two ways, learning to behave as an entrepreneur and entrepreneurs' learning during their entrepreneurial career (Rae &

Carswell 2001). Understanding what can be learned from new venture and business failure can influence both types of learning.

Learning to behave as entrepreneurs – the experiences gained by practiced entrepreneurs and intrapreneurs from their failed ventures can be added to entrepreneurship courses in universities and colleges. The framework that was created here will help these nascent entrepreneurs and intrapreneurs to understand better the issues they will confront on their entrepreneurial journey.

Entrepreneurs and intrapreneurs' learning during their entrepreneurial career – by learning from another's failure, novice entrepreneurs and intrapreneurs may increase the chances of succeeding in their first venture.

7.4 Limitations

There are several limitations to this study, which need to be taken into account. The first limitation is not being able to generalise the results. The study included only Australian entrepreneurs and intrapreneurs. As the attitude towards new venture failure is cultural based (Cave, Eccles & Rundle 2001; Landier 2005; Lee & Peterson 2000), the results are specific to technology-based entrepreneurs and intrapreneurs from Australia.

The second limitation is that this study relies on the entrepreneurs and intrapreneurs' perspective and self-assessment. This study asked the participants' estimation of how their skills improved, though this was not checked in an objective way that can confirm the change in their skills.

The third limitation is the sample size. This study's data set came from only 19 entrepreneurs and eight intrapreneurs. As this is an exploratory qualitative research project, this sample was sufficiently large to establish the importance of the study and to show that there is a gap to be filled in the entrepreneurial academic knowledge base.

7.5 Future Research

This research established what 27 Australian entrepreneurs and intrapreneurs learned from their failed ventures. This is an exploratory qualitative research project. A future study should expand the research into a quantitative study and ensure that the findings can be generalised.

While analysing and discussing the results of this research, further questions arose:

- Whether the respondents thought that the learning they specified can be used in future ventures by them and by others
- Is the entrepreneurial leap a myth and if attempted, would lead to failure?
- What, then, is the environmental isotropy?
- Can "be prepared" and "have clear goals" then mean the learning that the 'effectual' control of means along the start-up road would reduce chances of failure as claimed by the effectuation literature and counter to Stevenson's 'essence' of entrepreneurship "as the willingness to pursue opportunity regardless of the resources under control" (Stevenson & Jarillo 2007)?
- Would accepting the suggestions, given by experienced entrepreneurs and intrapreneurs, reduce chances of failure?

These questions are important and should be addressed in future research.

As the attitude towards business and new venture failure is culturally-based (Cave, Eccles & Rundle 2001; Landier 2005; Lee & Peterson 2000), it is important that future research includes entrepreneurs and intrapreneurs from different countries, and by doing so add cultural differences to the framework.

The next step, after generalising the findings from this study, is to create a framework that will help novice and nascent entrepreneurs and intrapreneurs to learn from experienced entrepreneurs and intrapreneurs, and succeed in their first venture.

7.6 Summary

This chapter discussed the findings of this study, using practice-based theory. The findings were compared with relevant theory, accepting or rejecting it. In addition, findings that were not documented in the literature were emphasised in separate sections. These findings are the study's contribution to the body of knowledge, and play a part in filling the academic gap concerning what can be learned from business failure.

Learning from failure was shown in three ways:

1. Participants' estimation of their change in skills as a result of their failed venture

2. Establishment of connections between the reason they decided that their venture failed and experiences they will take with them to the next venture (positive failure) and experiences they will avoid (negative experiences)

3. Establishment of connections between their experiences (positive and negative) and their suggestions to novice and nascent entrepreneurs.

Most of the suggestions that the participants gave to nascent and novice entrepreneurs and intrapreneurs can be found in the entrepreneurial academic literature as causes of failure.

However, three suggestions were additions to the body of knowledge:

- Entrepreneurs and intrapreneurs should be prepared for the reality that some ventures fail. They should detach themselves from the venture and search for fatal flaws in the planned venture before starting it. When finding the flaws, they must prepare a plan that will enable them to avoid such flaws.

- Entrepreneurs and intrapreneurs should invest time in setting up the new venture and developing their product or service, as being first in the market is not always worthwhile. They should spend enough time and money on due diligence. They should also remember that deficiencies in the products or services can create lasting bad impression

- Each venture is part of a learning curve. Therefore, entrepreneurs and intrapreneurs should accept any failure or success as a learning experience that may assist them in their next venture.

These suggestions were added to the updated conceptual model.

A significant addition to the body of knowledge in this domain is depicted. Since this study is the first of its kind to integrate entrepreneurial learning and new venture failure, the following finding is highlighted: Venture failure is not perceived in a negative context by entrepreneurs, as long as they learn from the experience/s. As such, it is identified that ventures fail, not entrepreneurs! This finding would, however, provide a base for further empirical research into the psychological aspects of entrepreneurs' perceptions to new venture failure.

The chapter concluded with the study's limitations and suggestions for future research.

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Appendices

Appendix 1: Consent Letters from Databases

Deloitte Request and Consent Letter

From: Noga Gulst [mailto:nogagu@gmail.com]

Sent: Fri 17/04/2009 8:43 AM

To: Meagher, Kristin (AU - Sydney)

Subject: An approval to use the deloitte database

Hi Kristin,

I am starting to work on the questionnaire that I want to send to the entrepreneurs, and I need to receive a written approval that you allow me to use your published database of the last three years of the "Tech fast 50" competition.

This approval is needed for the ethics committee so they can approve my request.

I have just published my first refereed article and about to publish the second. If you want, I will be more then happy to send it to you. These articles are speaking about business failure. However the third article (abstract expected in June) will be about entrepreneurial learning as a whole, and learning from failure in particular.

Thank you in advance,
Noga Gulst
H: +61-2-98809764
M: +61-450-329104

From: Kristin Meagher [kristin.meagher@hepl.com.au]
Sent: Tuesday, 19 May 2009 2:53 PM
To: 'Noga Gulst'
Subject: we have a green light
All ok to go ahead.

I need to know what you need the timing to be.

Have attached the survey with a suggested change to the first page.

We'd like to draft a letter to go about to the folk on the list to introduce you.

Are you intending to do this by email or post?

Kristin

Kristin Meagher
P: 02 9340 4306
F: 02 9340 4307
M: 0412 334 324
E: Kristin.Meagher@hepl.com.au

WiT Request and Consent Letter

From: Noga Gulst [mailto:nogagu@gmail.com]
Sent: Monday, 15 February 2010 9:05 AM
To: secretariat@wit.org.au
Subject: PhD regarding entreprenurs

To whom it may concern,

Good morning,
My name is Noga Gulst, and I am a PhD student in Swinburne University of Technology, Melbourne.

My PhD research is about the paradoxical nature of venture failure, trying to imply that venture failure, although not a desired outcome, is still something to learn from, and therefore, not something to be ashamed off.
In researches around the world, the attitude towards the failure differ from a step in the learning curve to treating the entrepreneurs as failed entrepreneurs instead of entrepreneurs that experienced failed ventures.

At this point of my research, I am seeking for a database of entrepreneurs that will be willing to answer a 20 minutes online questionnaire.
A research friend has suggested the Wit, as for now I have only mail participants.

If I will have enough answers from men and women, the question of is there a difference between women and men attitude to venture failure will become relevant.

If you agree to allow me the use of your members, I will send you an opening letter with a link to the questionnaire, and you will send an email to your members, without giving me the list.

Thank you in advance,

Noga Gulst
H: +61-2-98809764
M: +61-450-329-104

From: Women In Technology [mailto:secretariat@wit.org.au]
Sent: Monday, February 15, 2010 12:39 PM
To: 'Noga Gulst'
Subject: RE: PhD regarding entreprenurs

Hi Noga

Yes of course please send me the link. What is the deadline for th survey?

Regards

Alice Orozco

Operations Manager

Women in Technology

PH: 0430219091 / FX: 07 32178737 / PO Box 1747 Toowong Q 4066

www.wit.org.au

Appendix 2: Ethics Approval

To: Assoc Prof Alex Maritz, Mrs Noga Gulst, and Dr Nicholas Mroczkowski, FBE

Dear Alex, Noga and Nick

SUHREC Project 2009/173 The Paradoxical Nature of Business Success and Failure: The Case of Australian Entrepreneurs
A/Prof Alex Maritz FBE Mrs Noga Gulst Dr Nicholas Mroczkowski FBE
Approved Duration: 03/09/2009 To 01/07/2010

I refer to the ethical review of the above project protocol carried out on behalf of Swinburne's Human Research Ethics Committee (SUHREC) by a SUHREC Subcommittee (SHESC3). Your response to the review, as emailed on 02 September 2009, was put to a delegate of the Subcommittee for consideration.

I am pleased to advise that, as submitted to date, the project may proceed in line with standard on-going ethics clearance conditions here outlined.

- All human research activity undertaken under Swinburne auspices must conform to Swinburne and external regulatory standards, including the National Statement on Ethical Conduct in Human Research and with respect to secure data use, retention and disposal.

- The named Swinburne Chief Investigator/Supervisor remains responsible for any personnel appointed to or associated with the project being made aware of ethics clearance conditions, including research and consent procedures or instruments approved. Any change in chief investigator/supervisor requires timely notification and SUHREC endorsement.

- The above project has been approved as submitted for ethical review by or on behalf of SUHREC. Amendments to approved procedures or instruments ordinarily require prior ethical appraisal/ clearance. SUHREC must be notified immediately or as soon as possible thereafter of (a) any serious or unexpected adverse effects on participants and any redress measures; (b) proposed changes in protocols; and (c) unforeseen events which might affect continued ethical acceptability of the project.

- At a minimum, an annual report on the progress of the project is required as well as at the conclusion (or abandonment) of the project.

- A duly authorised external or internal audit of the project may be undertaken at any time.

Please contact the Research Ethics Office if you have any queries about on-going ethics clearance, citing the SUHREC project number. A copy of this communication should be retained as part of project record-keeping.

Best wishes for the project.

Yours sincerely

Anne Cain
Secretary, SHESC3
Swinburne University
FBE Research Office -H95
Lvl 6, 60 William St
Hawthorn 3122
Ph: 9214 8605
ancain@swin.edu.au

Appendix 3: Original Questionnaire and Consent Letter from Prof Blackburn

Questionnaire No. c1-4

If you have experience of owning and managing a business that you have subsequently left, sold or closed, please answer the following questions. (If you have had more than one experience, please answer thinking of your most recent experience.)

Q1 What organisational form did the business take?

(Tick one box) c5

Sole proprietorship ☐ 1

Partnership ☐ 2

Limited company ☐ 3

Other *(Please state)* ☐ c6

....

....

..

Q2 How long had you been an owner of the business?
(Write number of years in box) ☐ c7-8

Q3 How many owners (including yourself) did the business have?
(Write number in box) ☐ c9-10

Q4 Please tell us about your business experience:

	(1) Yes	*(2) No*	
Did you start the business yourself?			c11
Did you purchase it?			c12
Did you inherit it?			c13
Had you run a business before?			c14
Did you have management experience as an employee?			c15
Did you have management experience from running another business?			c16
Has your education included study/training in any business related subjects?			c17

Q5 How important were the following reasons to you for starting/joining the business?
(Circle one number for each reason)

	Important				*Not important*	
Desire for independence	5	4	3	2	1	c18
Redundancy	5	4	3	2	1	c19
Frustration in previous job	5	4	3	2	1	c20
Fear of unemployment	5	4	3	2	1	c21
To accumulate wealth	5	4	3	2	1	c22
Saw excellent opportunity	5	4	3	2	1	c23
Wanted to earn additional income	5	4	3	2	1	c24
Other *(please state)*	5	4	3	2	1	c25

Q6 Did you have any other occupation(s) at the same time as running the business?
(Tick as many boxes as apply)

No	☐	c26
Yes, I ran another business	☐	c27
Yes, I ran more than one other business	☐	c28
Yes, I also had a paid job	☐	c29
Yes, I also had a voluntary/unpaid job	☐	c30
Other *(please state)*	☐	c31

....

....

.

Q7 What was the maximum number of employees?
(Tick one box) c32

0 - 4	☐	1
5 - 9	☐	2
10 - 19	☐	3
20 - 49	☐	4
50 - 249	☐	5
250 or more	☐	6

Q8 What was the maximum annual figure for sales during the life of the business?
(Tick one box) c33

Less than £50,000	☐	1
£50,000 - £149,000	☐	2
£150,000 - £499,000	☐	3
£500,000 - £999,000	☐	4
£1,000,000 - £2,799,000	☐	5
£2,800,000 or more	☐	6

Q9 How was the business managed during its last 12 months?
(Tick one box) c34

Solely by one owner	☐	1
Mainly by one owner with advice/consultation with other owners	☐	2
By all owners equally	☐	3
By owner(s) with some senior managers	☐	4
Other *(Please state)*	☐	c35

....

....

..

Q10 How would you describe the financial situation of the business at the time you left or the business was closed? *(Circle the number that corresponds closest to your view)*

Thriving				*Ailing*	
5	4	3	2	1	c36

Q11 If the business was insolvent, did any of the following situations arise?
(Tick one box) c37

Voluntary arrangement with creditors to resolve financial difficulties	☐	1
Bankruptcy proceedings against the business's owner(s)	☐	2
Voluntary liquidation (companies only)	☐	3
Compulsory liquidation (companies only)	☐	4
Not applicable	☐	5

Q12 What happened to the business immediately after you left?
(Tick one box) c38

It was given to/inherited by family member(s)	☐	1
It was sold to family member(s)	☐	2
It was sold to other existing owner(s)	☐	3
It was sold to existing manager(s)	☐	4
It was sold to an external party	☐	5
It continued/re-opened in a different organisational form	☐	6
The business closed down	☐	7
Other *(Please state)*	☐	c39

....

....

Q13 When you left, did the business change to a different organisational form?
(Tick one box) c40

Yes, to a sole trader/self-employed status	☐	1
Yes, to a partnership	☐	2
Yes, to a limited company	☐	3
No *(Go to Q15)*	☐	4

Q14 If you answered 'yes' to the previous question, please state why the business changed to a different organisational form.
c41-42

....

....

Q15 From a <u>personal</u> point of view, what was your main reason for leaving or closing the business?
(Tick one box) c43

Had an idea for a different business	☐	1
Received an attractive job offer	☐	2
Wanted to retire	☐	3
Wanted to realise capital/assets	☐	4
Insufficient financial rewards	☐	5
Breakdown in relationship between owners	☐	6
Too stressful	☐	7
Other *(please state)*	☐	c44

Q16 What did you do after leaving the business (or intend to do if your experience is very recent)?
(Tick as many boxes as apply)

Continued the business in a different organisational form	☐	c45
Opened a similar business in the same location	☐	c46
Started a similar business in a different location	☐	c47
Started a completely different business	☐	c48
Bought an existing business	☐	c49
Continued other existing business(es)	☐	c50
Took up employment	☐	c51
Registered as unemployed/looked for employment	☐	c52
Took up voluntary/unpaid work	☐	c53
Retired	☐	c54
Other *(please state)*	☐	c55

....

Q17 How would you rate your success as a business manager during the time you owned the business?
(Circle the number that corresponds closest to your view)

Successful			*Unsuccessful*		
5	4	3	2	1	c56

Q18 Compared with when you started the business, how do you rate your skills now in the following areas? *(Circle the number that corresponds closest to your view)*

	Better				*Worse*	*Not applicable*	
Planning the business	5	4	3	2	1	0	c57
Developing business networks	5	4	3	2	1	0	c58
Establishing systems	5	4	3	2	1	0	c59
Financial record keeping	5	4	3	2	1	0	c60
Raising finance	5	4	3	2	1	0	c61
Monitoring performance	5	4	3	2	1	0	c62
Attracting/retaining staff	5	4	3	2	1	0	c63
Building a customer base	5	4	3	2	1	0	c64
Identifying new opportunities	5	4	3	2	1	0	c65
Researching the market	5	4	3	2	1	0	c66
Promoting products/services	5	4	3	2	1	0	c67
Targeting customers/clients	5	4	3	2	1	0	c68
Team leadership	5	4	3	2	1	0	c69
Coping with setbacks	5	4	3	2	1	0	c70
Self-management	5	4	3	2	1	0	c71
Adapting to change	5	4	3	2	1	0	c72

Q19 Overall, has your experience of managing that particular business encouraged or discouraged you to have your own business in the future? *(Circle the number that corresponds closest to your view)*

Encouraged			*Discouraged*		
5	4	3	2	1	c73

Q20 If you needed advice whilst owning the business, who did you ask? *(Tick as many boxes as apply)*

Friends/family	☐	c74
Other business owners	☐	c75
Personal business advisor at Business Link, TEC, etc.	☐	c76
Bank	☐	c77
Accountant	☐	c78
Solicitor	☐	c79
Professional/trade body	☐	c80
Other *(Please state)*	☐	c81

....

Q21 Is there one particular experience you feel you have benefited from whilst owning this business that you consider would be useful if you were to become the owner-manager of another business?
(Pleasestate)
c82-84

....
....
....

Q22 Is there one particular experience you had whilst owning this business that you would like to avoid if you were to become the owner-manager of another business?
(Please state)
c85-87

....

....

Q23 Which industrial sector was the primary activity of the business in?
(Tick one box)

		c88
Agriculture	☐	1
Manufacturing	☐	2
Construction	☐	3

Distribution 4
Hotels and catering 5
Transport and communications 6
Banking and finance 7
Other services 8
Other *(please state)* c89

....

Q24 What is your main product and/or service? *(Please state)*
c90-92

....

Q25 What percentage of your sales were in the following markets?

	%	
Local		c93-94
Regional		c95-96
National		c97-98
International		c99-100

Q26 What is your gender?

c101
Male 1
Female 2

Q27 What was your age when you left/closed the business?
(Tick one box only) c102
Up to 25 1
25 - 34 2
35 - 44 3
45 - 54 4
55 - 64 5
65 and over 6

Q28 What is your ethnic origin?
(Tick one box only) c103
Black Caribbean, Black African or other Black 1
Indian, Pakistani or Bangladeshi or other Asian 2
Chinese 3
White 4
Other *(Please state)* c104

....

Q29 What is your highest educational qualification?
(Tick one box only) c105
No formal qualifications 1
GCSE, O level or equivalent 2

A level or equivalent 3
BTEC certificate or diploma 4
First degree 5
Postgraduate degree 6

Q30 Do you hold a professional qualification?

c106

Yes 1
No 2

Would you be willing to be interviewed? If so, please print your details below:

Name: ....

Address: ....

....

....

Tel:..Email:...

Thank you very much for taking part in this survey.
Please return your completed questionnaire in the envelope provided to

Prof Robert Blackburn
Small Business Research Centre
Kingston University
Kingston Hill
Kingston upon Thames
Surrey KT2 7LB

From: Noga Gulst [mailto:nogagu@gmail.com]

Sent: Sat 04-Oct-08 23:18

To: r.blackburn@kingston.ac.uk

Subject: Your article: "Learning the hard way: the lessons of owner-managers who have closed their businesses"

Dear Mr. Blackburn,

My name is Noga Gulst, and I am a PhD student in Swinburne University in Australia.

My thesis subject is about preventing new ventures failure, and helping nascent and novice entrepreneurs succeed in their first venture.

I have read your article: "Learning the hard way: the lessons of owner-managers who have closed their businesses" and would like to use your work as one of the theories I will base my research on.

My thesis is a qualitative research that will address 100 Australian entrepreneurs, and choose 10 most experienced entrepreneurs, for in-depth interviews.

If there is a possibility, I would very much appreciate, if you can send me the questionnaire you have used at the second stage, for the use of choosing the suitable entrepreneurs.

Thank you in advance,

Noga Gulst
Sydney, Australia
H: +61-2-9880-9764
M: +61-0450-329-104

From: Blackburn, Robert A [R.A.Blackburn@kingston.ac.uk]

Sent: Tuesday, 14 October 2008 7:38 PM

To: Noga Gulst

Subject: RE: Your article: "Learning the hard way: the lessons of owner-managers who have closed their businesses"

Hello Noga

please look at the following link

http://business.kingston.ac.uk/researchgroup.php?pageid=33

Let me know if this is what you are referring to, good luck with you rresearch and keep me posted,

all the best

Professor Robert Blackburn

http://business.kingston.ac.uk/robertblackburn

Editor in Chief *International Small Business Journal*

http://isb.sagepub.com/

Appendix 4: Survey and structured interview's Questionnaire

SWINBURNE UNIVERSITY OF TECHNOLOGY

Project Information and Informed Consent Statement

Faculty of Business & Enterprise

This project has been approved by or on behalf of Swinburne's Human Research Ethics Committee (SUHREC) in line with the *National Statement on Ethical Conduct in Research Involving Humans*. If you have any concerns or complaints about the conduct of this project, you can contact:
Research Ethics Officer, Office of Swinburne Research (H68),
Swinburne University of Technology, P O Box 218, HAWTHORN VIC 3122.
Tel (03) 9214 5218 or +61 3 9214 5218 or resethics@swin.edu.au

Project Title: The Paradoxical Nature of Business Success and Failure

This PhD research aims to identify the personal definitions of business success and failure. The word failure, when used in relation to business, usually means a negative outcome and success usually means a positive outcome. However, we know that business is not as simple as that and would appreciate your help in trying to explain the paradox of both success and failure.

You can help by completing this survey that should take approximately 20 minutes. It is expected that you will benefit by reflecting on your own experience and by helping future business practice with your knowledge and experience.

The outcome of this study will be a PhD thesis and possibly co-authored articles for industry and academic journals and conferences in order to integrate the findings into business practice.

It is expected that approximately 150 Deloitte Touche Tohmastsu "Technology Fast 50" winners will take part in the study. A summary of the findings will be made available to all award winners.

Completion of this questionnaire is taken as your Informed Consent to participate in this research. Informed Consent means that:

- All questions about the research have been answered to your satisfaction
- Your participation in the research is voluntary
- You understand that the answering the questions using Opinio ensures your anonymity, confidentially and privacy.
- Non-attributed quotes from your contribution may be used in reporting the study.

If you have any questions, or want more information about this survey please contact:
Noga Gulst at ngulst@swin.edu.au or Alex Maritz at amaritz@swin.edu.au
Click here to begin the survey.

Please answer all questions.

	This first set of questions is about your business experience.
Q01	**How many businesses have you owned / managed (including the present one)?**
Q02	**How many of these businesses have succeeded?**
Q03	**How do you define business success?**
Q04	**How many of these businesses have failed?**
Q05	**How do you define business failure?**
Q06	**How long have you been in business?**
	0-5 years
	6-10 years
	11+ years
	The next set of questions is about your <u>current</u> business.
Q07	**Would you describe this current business as:**
	a. a business that does not include any new ventures
	b. a business that includes at least one new venture that you did not start
	c. a business includes at least one new venture that you started
	d. a stand-alone new venture
Q08	**The number of employees in your current business is:**
	0-4
	5-9
	10-19
	20-49
	50-249
	250 or More
Q09	**The primary activity of this business is in:**
	Banking and Finance
	Biotechnology
	Communications/Networks
	Computers/Peripherals
	Construction
	Information Technology/Internet
	Manufacturing
	Personal and Other Services
	Property and Business Services
	Other (Please state)
Q10	**The <u>major</u> product of this business is:**
Q11	**The <u>major</u> service of this business is:**
Q12	**The percentage of the business income from each of these markets is:**

A	Local	%
B	Regional	%
C	National	%
D	International	%

Q13 **The number of owners in this business is:**

Q14 **Decisions in this business are made by:**

Strategic	Solely by one owner	Mainly by one owner with advice / consultant with other owners	By all owners equally	By owner(s) with some senior managers
Financial	Solely by one owner	Mainly by one owner with advice / consultant with other owners	By all owners equally	By owner(s) with some senior managers
Human Resources	Solely by one owner	Mainly by one owner with advice / consultant with other owners	By all owners equally	By owner(s) with some senior managers

Q15 **How do you decide if a business succeeds?**

Q16 **How long have you been the CEO/owner or CEO/manager of your current business?**

The next set of questions is about businesses ownership.

Q17 **How many businesses have you inherited?**

Q18 **How many businesses have you purchased?**

Q19 **How many business have you started?**

Q20 **What are some reasons for starting your own business?**

Q21 **Do you usually own more than one business at a time?**

Q22 **How would you rate your success as a business manager during the time you owned your last business (which may be your current business)?**

Unsuccessful				Successful
1	**2**	**3**	**4**	**5**

The next set of questions is about new ventures.

Q23 **How many new ventures have you started?**

Q24 **How many new ventures have you managed?**

Q25 **How many of these new ventures succeeded?**

Q26 **How do you define new venture success?**

Q27 **How many of these new ventures failed?**

Q28 **How do you define new venture failure?**

Q29 **This is a list of common reasons for starting new ventures.**
Please indicate how important each reason is to you.

		Important				Not important
A	Desire for independence	1	2	3	4	5
B	Frustration in previous job	1	2	3	4	5
C	Fear of unemployment	1	2	3	4	5
D	Saw excellent opportunity	1	2	3	4	5
E	To accumulate wealth	1	2	3	4	5

Q30 **Do you usually own or manage more than one new venture at a time?**

Q31 **Most of my new ventures are (were):**
a. part of a larger business
b. stand alone companies
c. about equal

Q32 **How do you decide if a new venture succeeds?**

Q33 **Is there a particular experience of managing a new venture that would be useful if you were to start another new venture?**

Q34 **Is there a particular experience of managing a new venture that would you would avoid if you were to start another new venture?**

Q35 **Do you have any suggestions which might help potential entrepreneurs avoid new venture failure?**

The next set of questions is about failure of a stand-alone start-up new venture. Please answer these questions about the failing start-up new venture that you most recently owned or managed.

Q36 **When you managed this start-up, who did you ask for advice?**
Friends/Family
Other business owners
Personal business advisor
Bank
Accountant
Solicitor
Professional/trade body
Not applicable

Q37 **How would you describe the financial situation of the start-up company at the time you decided it was failing?**

Ailing				Thriving
1	**2**	**3**	**4**	**5**

Q38 **If the start-up company was insolvent, did any of the following situations arise?**
Voluntary arrangement with creditors to resolve financial difficulties
Bankruptcy proceedings against the business owner(s)
Voluntary liquidation
Compulsory liquidation
Not applicable

Q39 **How do you decide if a start-up is failing?**

Q40 **Why do you believe that this start-up company was failing?**

Q41 **When you decided that the start-up company was failing, what did you do?**
a. Left the business (while the business continued with other management)
b. Closed the business
c. Stayed and made a radical strategic change.

Q42 **What was your main reason for choosing this action?**

Q43 **If you left or closed the start-up, what did you do (or intend to do if your experience is recent)?**

Opened similar business in the same location
Started similar business in a different location
Started a completely different business
Bought an existing business
Continued other existing business(es)
Took up employment
Registered as employed / look for employment
Took up voluntary / unpaid work
Other (Please state)

Q44 **If you left or closed the start-up, how would you rate your success as a business manager during the time you owned/managed this start-up company?**

Unsuccessful				Successful
1	**2**	**3**	**4**	**5**

Q45 **If you stayed and made a radical change to the failing start-up, how would you rate your success as a business manager?**

Unsuccessful				Successful
1	**2**	**3**	**4**	**5**

Q46 **Compared with when you started managing the failing start-up, how do you rate your strategic skills:**

		Worse				Better	N/A
A	Planning the business	**1**	**2**	**3**	**4**	**5**	
B	Developing business networks	**1**	**2**	**3**	**4**	**5**	
C	Establishing systems	**1**	**2**	**3**	**4**	**5**	
D	Identifying opportunities	**1**	**2**	**3**	**4**	**5**	
E	Dealing with setbacks	**1**	**2**	**3**	**4**	**5**	
F	Self-management	**1**	**2**	**3**	**4**	**5**	
G	Adapting to change	**1**	**2**	**3**	**4**	**5**	

Q47 **Compared with when you started managing the failing start-up, how do you rate your financial skills:**

		Worse				Better	N/A
A	Financial record keeping	**1**	**2**	**3**	**4**	**5**	
B	Raising finance	**1**	**2**	**3**	**4**	**5**	
C	Monitoring performance	**1**	**2**	**3**	**4**	**5**	

Q48 **Compared with when you started managing the failing start-up, how do you rate your adding-value skills:**

		Worse				Better	N/A
A	Team leadership	**1**	**2**	**3**	**4**	**5**	
B	Attracting/ retaining staff	**1**	**2**	**3**	**4**	**5**	
C	Building a customer base	**1**	**2**	**3**	**4**	**5**	
D	Researching the market	**1**	**2**	**3**	**4**	**5**	
E	Promoting products/services	**1**	**2**	**3**	**4**	**5**	
F	Targeting customers/clients	**1**	**2**	**3**	**4**	**5**	

Q49 **If you are planning to own/manage another start-up, who will you ask for advice?**
Friends/Family
Other business owners
Personal business advisor
Bank
Accountant
Solicitor
Professional/trade body
Not applicable

50 **Overall, has your experience of your most recent failing start-up encouraged or discouraged you from owing your own business in the future?**

Discouraged				Encouraged
1	**2**	**3**	**4**	**5**

The next set of questions is about failure of a new venture in an existing company. Please answer these questions about <u>the failing new venture in an existing company that you most recently managed</u>.

Q51 **When you managed the new venture in an existing company, who did you ask for advice?**
Friends/Family
Other business owners
Personal business advisor
Bank
Accountant
Solicitor
Professional/trade body
Not applicable

Q52 **How would you describe the financial situation of the company at the time you decided that the new venture was failing?**

Ailing				Thriving
1	**2**	**3**	**4**	**5**

Q53 **If the existing company was insolvent as result of the failing new venture, did any of the following situations arise?**
Voluntary arrangement with creditors to resolve financial difficulties
Bankruptcy proceedings against the business owner(s)
Voluntary liquidation
Compulsory liquidation
Not applicable

Q54 **How do you decide if a new venture in an existing company fails?**

Q55 **Why do you believe that this new venture was failing?**

Q56 **When you decided that the new venture in an existing company was failing, what did you do?**
a. Left the company (while the business continued with other management)
b. Closed the company
c. Closed the new venture, without any other change in the company
d. Kept the new venture running, after a strategic change
e. Closed the new venture and started another new venture in the same company

Q57 **What was your main reason for choosing this action?**

Q58 **If you left or closed the existing company, what did you do (or intend to do if your experience is recent)?**
Opened similar business in the same location
Started similar business in a different location
Started a completely different business
Bought an existing business
Continued other existing business(es)
Took up employment
Registered as employed / look for employment
Took up voluntary / unpaid work
Other (Please state)

Q59 **How would you rate your success as a business manager during the time you managed this new venture?**

Unsuccessful				Successful
1	**2**	**3**	**4**	**5**

Q60 **Compared with when you started managing the failing new venture in an existing company, how do you rate your strategic skills:**

		Worse				Better	N/A
A	Planning the business	**1**	**2**	**3**	**4**	**5**	
B	Developing business networks	**1**	**2**	**3**	**4**	**5**	
C	Establishing systems	**1**	**2**	**3**	**4**	**5**	
D	Identifying opportunities	**1**	**2**	**3**	**4**	**5**	
E	Dealing with setbacks	**1**	**2**	**3**	**4**	**5**	
F	Self-management	**1**	**2**	**3**	**4**	**5**	
G	Adapting to change	**1**	**2**	**3**	**4**	**5**	

Q61 **Compared with when you started managing the failing new venture in an existing company, how do you rate your financial skills:**

		Worse				Better	N/A
A	Financial record keeping	**1**	**2**	**3**	**4**	**5**	
B	Raising finance	**1**	**2**	**3**	**4**	**5**	
C	Monitoring performance	**1**	**2**	**3**	**4**	**5**	

Q62 **Compared with when you started managing the failing new venture in an existing company, how do you rate your adding-value skills:**

		Worse				Better	N/A
A	Team leadership	**1**	**2**	**3**	**4**	**5**	
B	Attracting/ retaining staff	**1**	**2**	**3**	**4**	**5**	
C	Building a customer base	**1**	**2**	**3**	**4**	**5**	
D	Researching the market	**1**	**2**	**3**	**4**	**5**	
E	Promoting products/services	**1**	**2**	**3**	**4**	**5**	
F	Targeting customers/clients	**1**	**2**	**3**	**4**	**5**	

Q63 **If you are planning to manage another new venture in an existing company, who will you ask for advice?**

Friends/Family
Other business owners
Personal business advisor
Bank
Accountant
Solicitor
Professional/trade body
Not applicable

Q64 **Overall, has your experience of your most recent failing new venture in an existing company encouraged or discouraged you from starting a new venture in the future?**

Discouraged				Encouraged
1	**2**	**3**	**4**	**5**

These questions provide are general demographic information which will help me to analyse the data in the questionnaire.

Q65 **Your gender is:**
Q66 **Your age is:**
Q67 **Your highest educational qualification is:**
Q68 **Do you hold a professional qualification?**
Q69 **Do you hold a management or business qualification?**

If you would like to be interviewed to discuss your comments in further details, please provide us with your email address:

Appendix 5: Cognitive Maps

Figure A. 1: Reasons to Start a New Venture

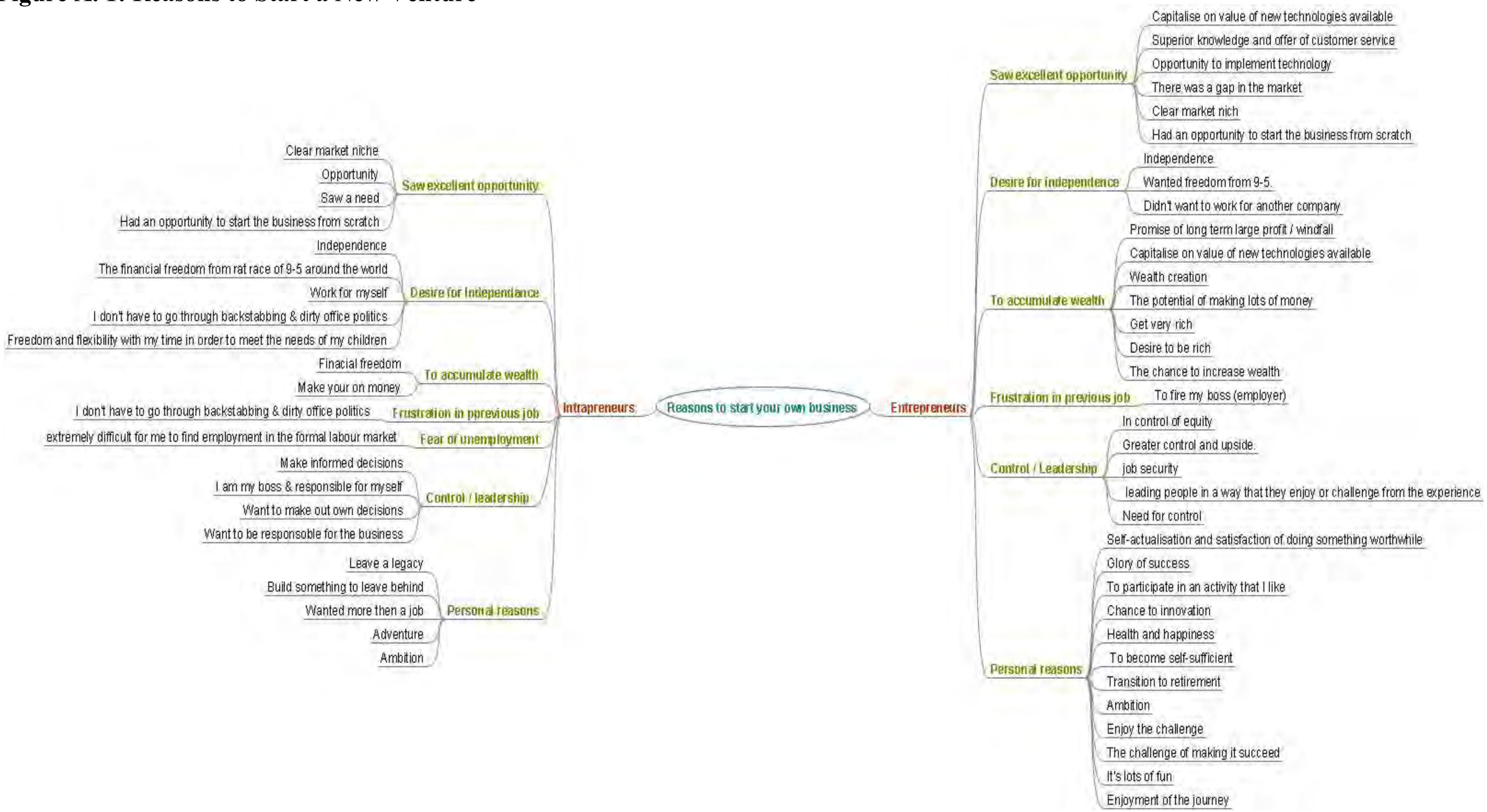


Figure A. 2: Business Failure Definitions

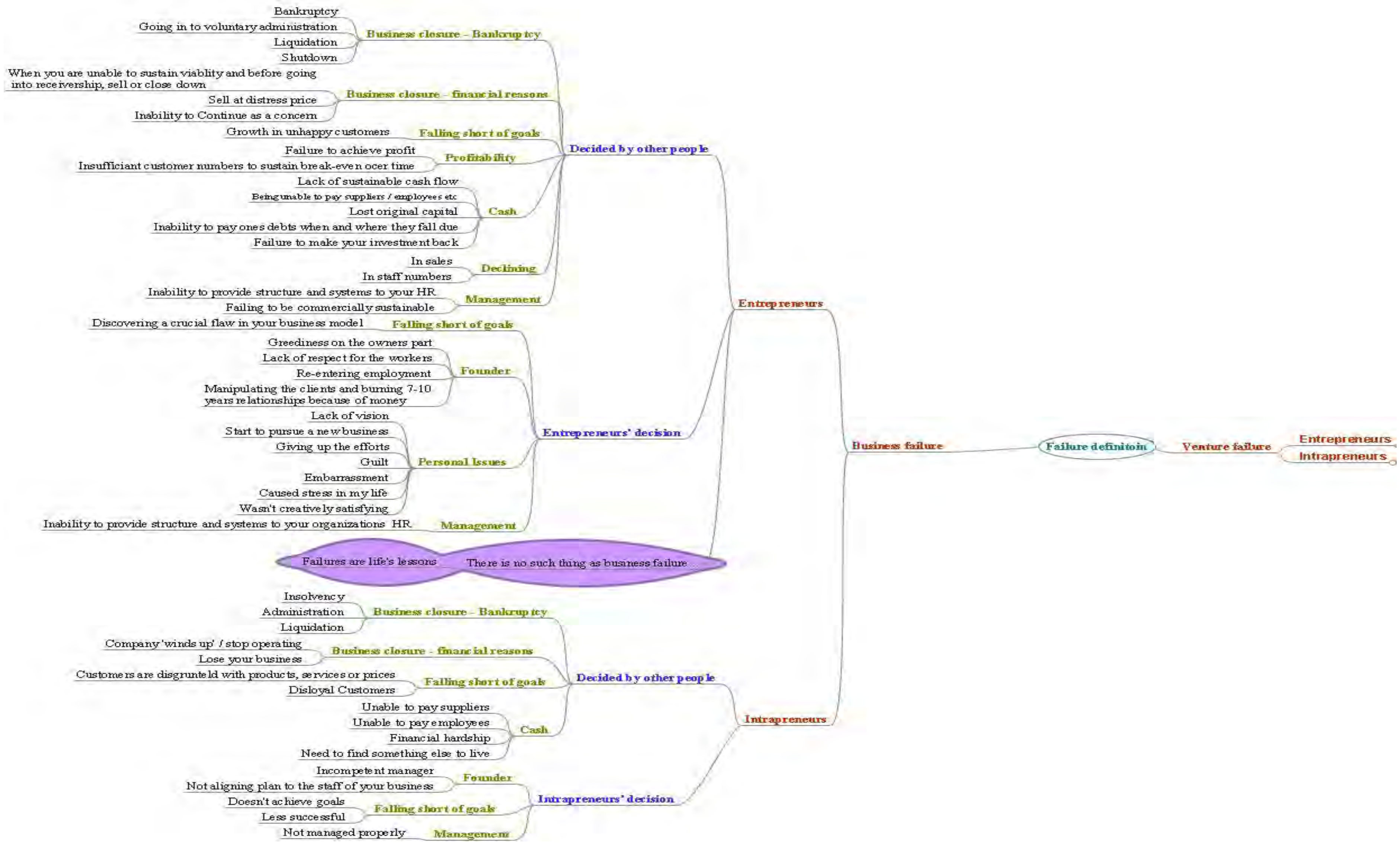


Figure A. 3: New Venture Failure Definitions

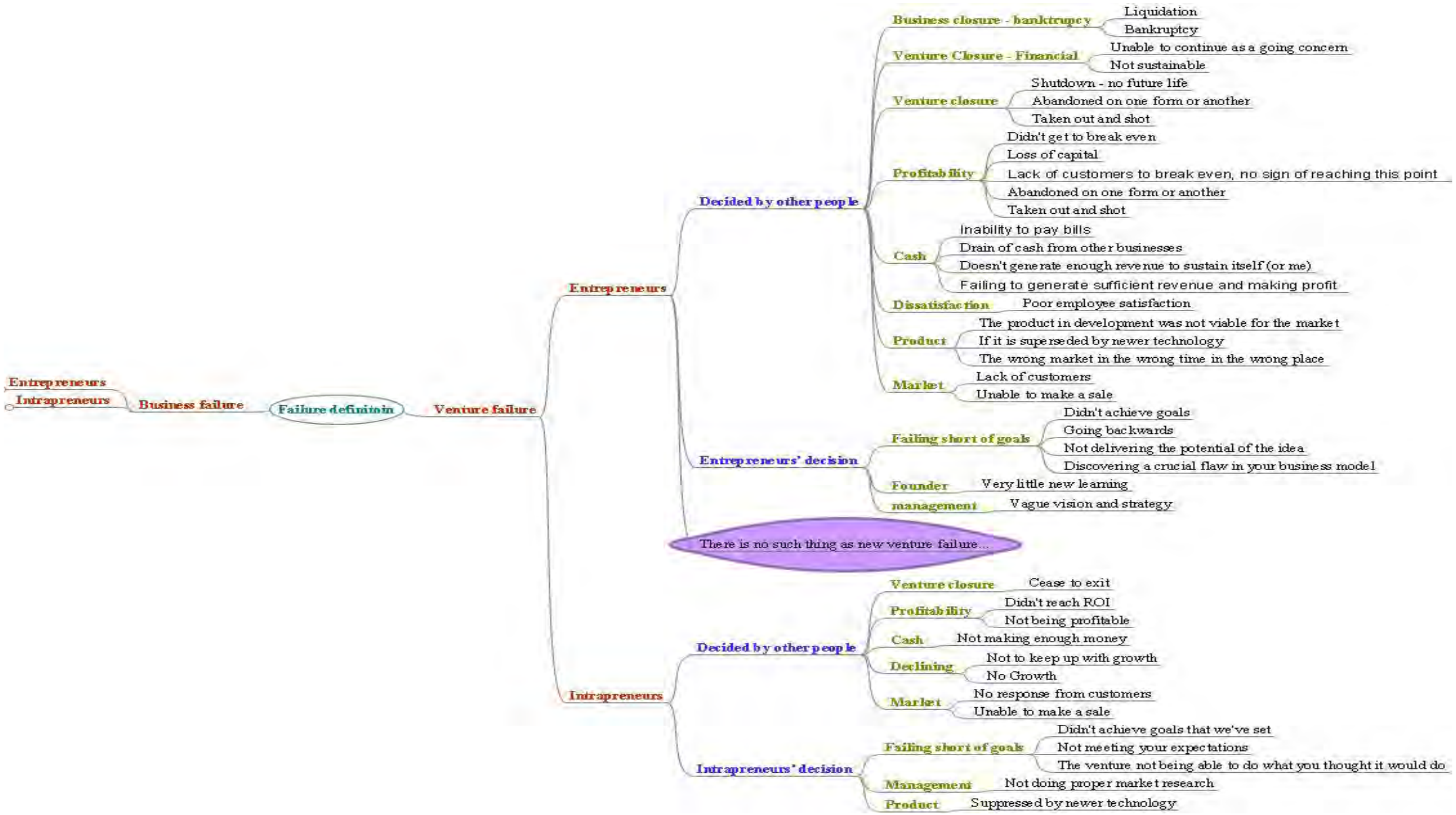


Figure A. 4: Success Definitions

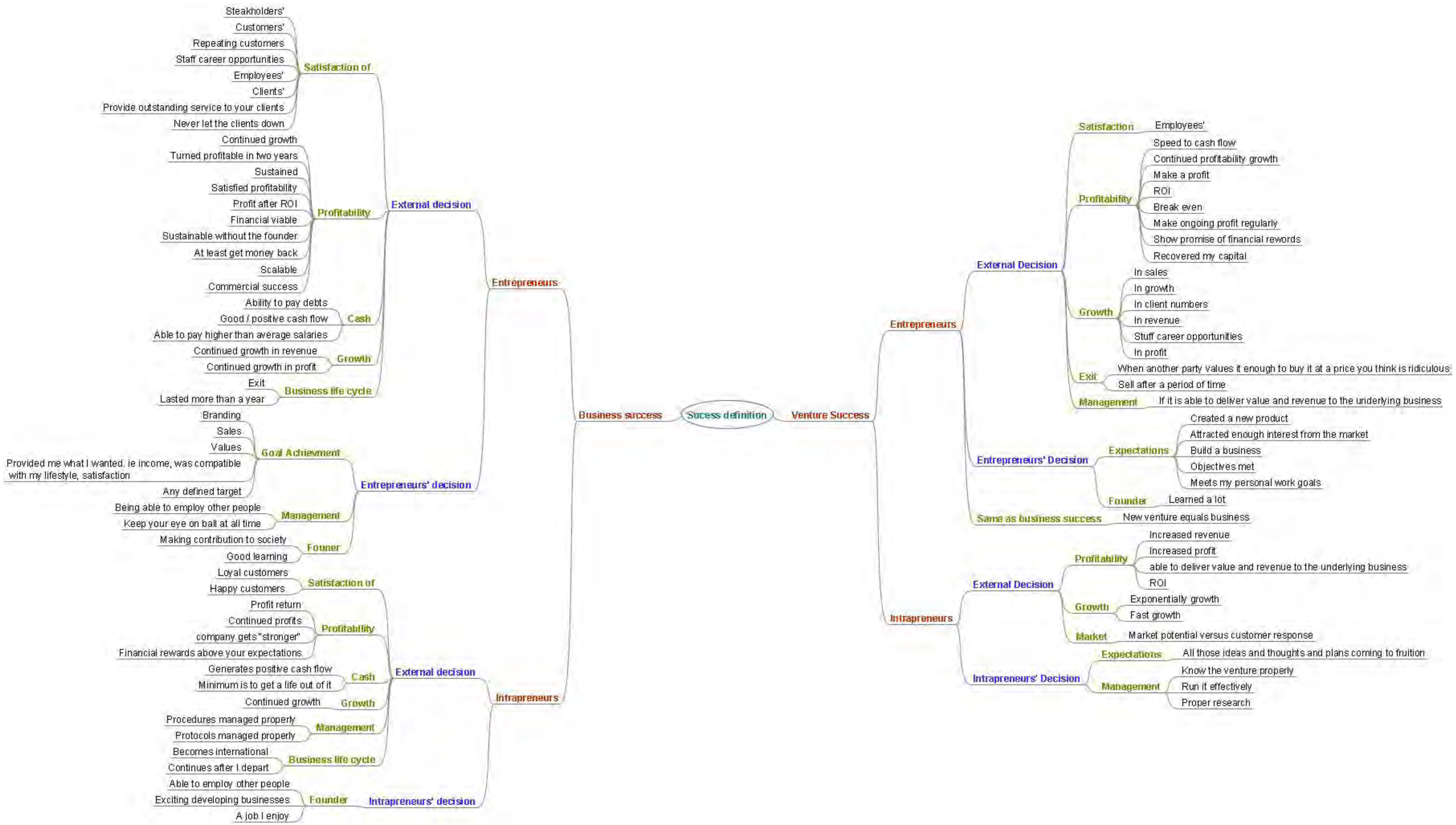


Figure A. 5: Failure Decision

Figure A. 6: Success Decision

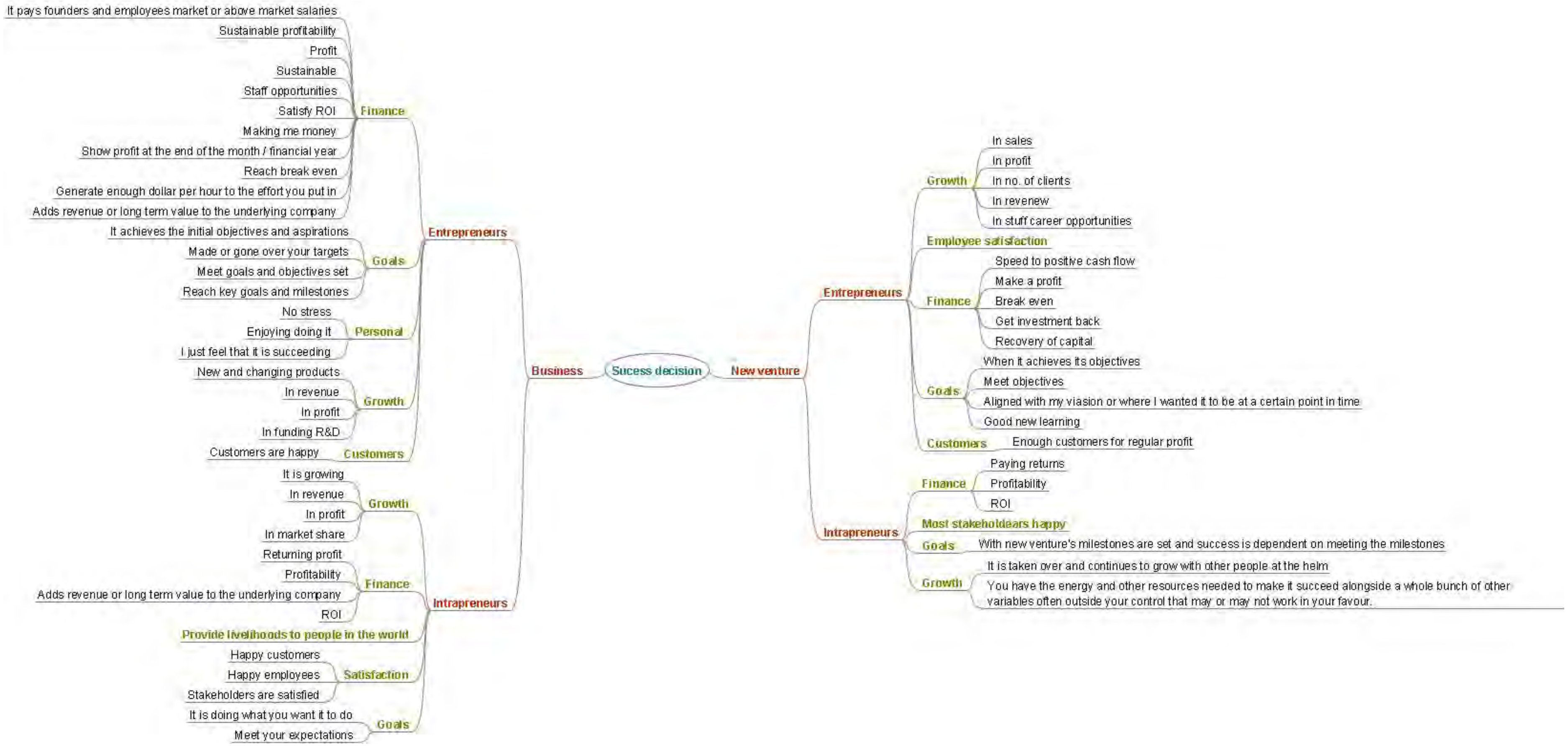


Figure A. 7: Useful Experiences

Figure A. 8: Experiences to Avoid

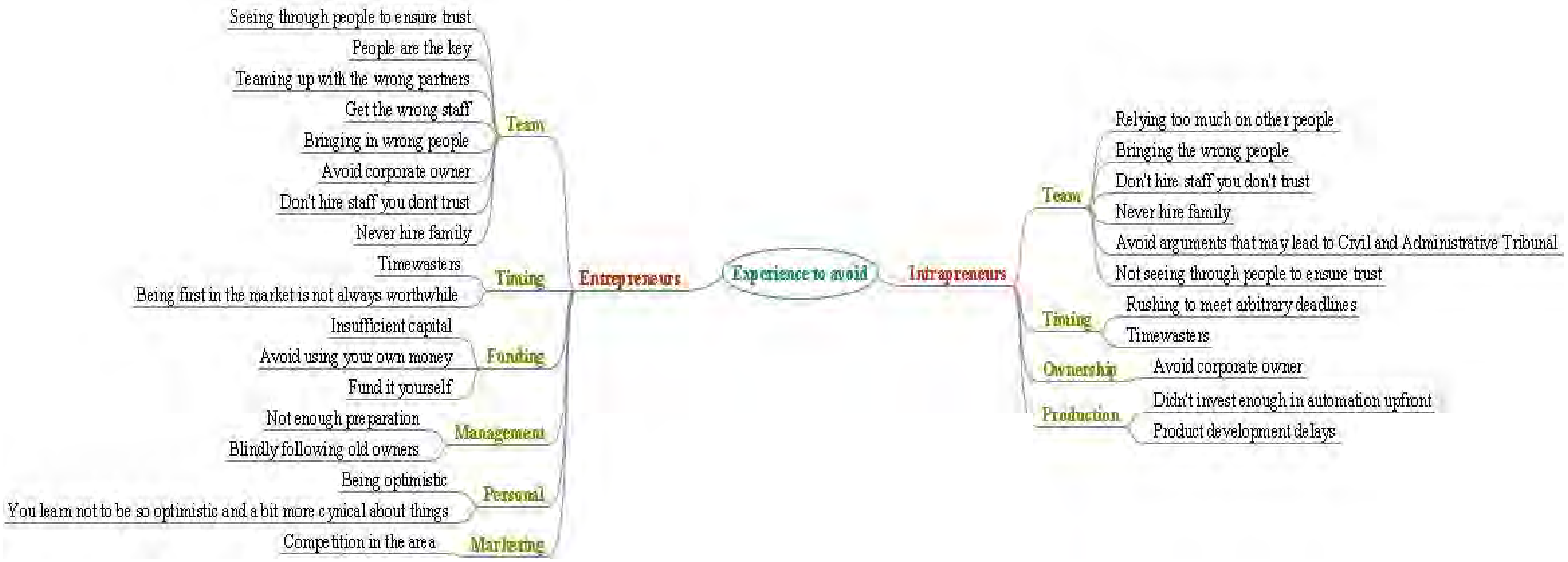


Figure A. 9: Suggestions to Novice and Nascent Entrepreneurs and Intrapreneurs given by Entrepreneurs (1 of 2)

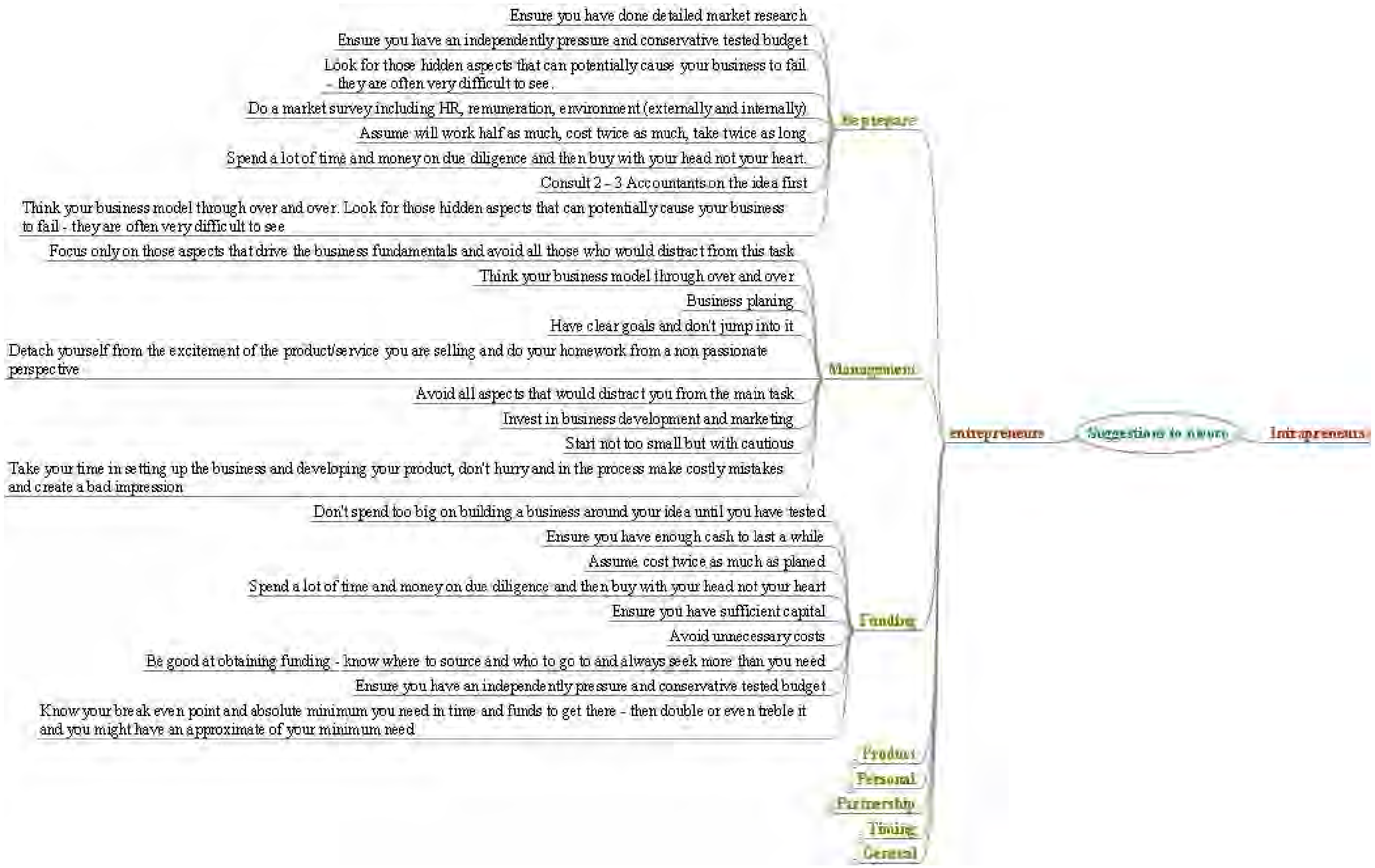


Figure A. 10: Suggestions to Novice and Nascent Entrepreneurs and Intrapreneurs given by Entrepreneurs (2 of 2)

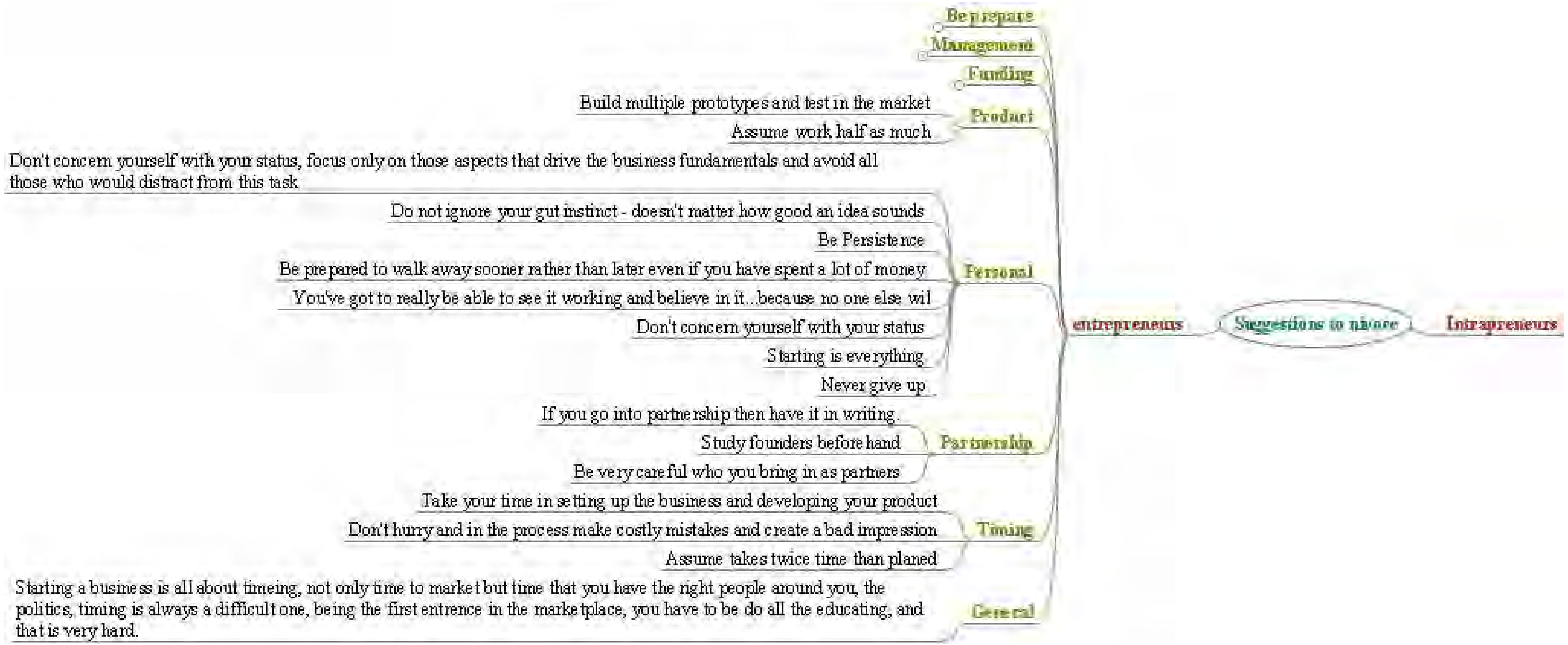
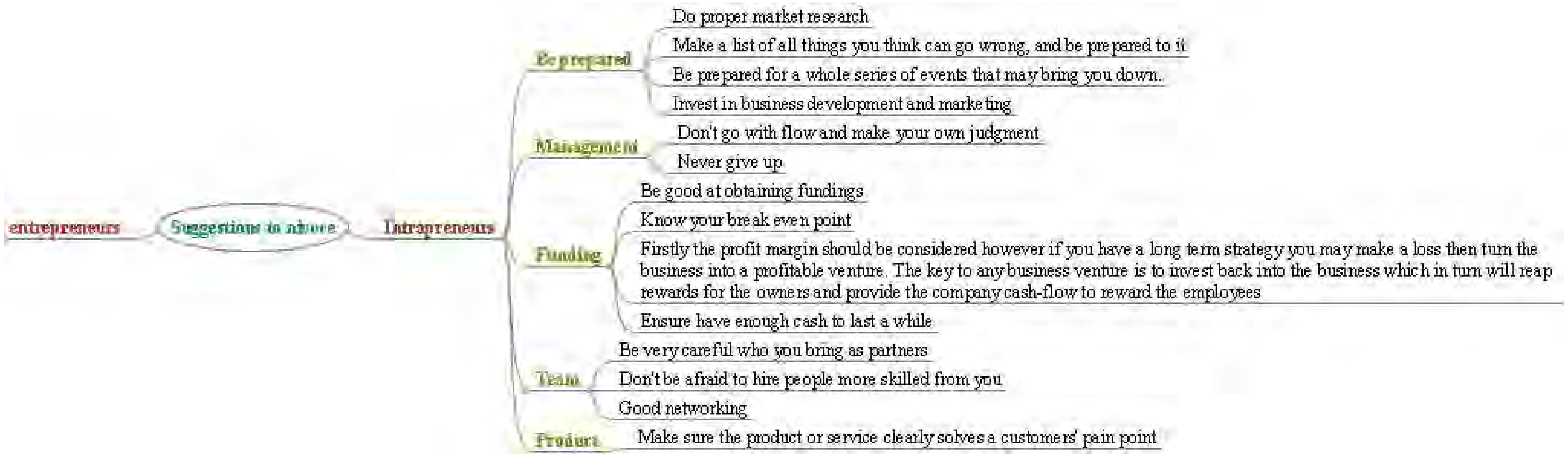


Figure A. 11: Suggestions to Novice and Nascent Entrepreneurs and Intrapreneurs given by Intrapreneurs



Appendix 6: New Venture and Business Success and Failure Definitions – Word Count

Table A.1: New Venture and Business Success and Failure Definitions - Word Count

Business failure:
Entrepreneurs

Liquidation / Bankruptcy	2
Financial closure	2
Does not make a profit and is lack of cash	7
Falling short of goals	6
Decline in numbers	1
Commercially sustainable	2

Intrapreneurs

Not Managed properly	3
Commercially sustainable	1
Closure	1
Failing Short of goals	2

Business Success
Entrepreneurs

Sustained profitability	9
Ability to pay bills	6
Clients satisfactions	5
Achieve goals	5
Exit	3
Commercial success	1
Stay in the business	3

Intrapreneurs

Clients satisfactions	2
Managed properly	1
High profit return	2
Commercial success	1
Sustainable	2
Contribute to society	1
Achieve goals	3
Financial Freedom	2

New Venture Failure
Entrepreneurs

Bankruptcy	2
Falling short of goals	5
Closure	5
Product	2
Does not make a profit and is lack of cash	5
Profitability	1

Intrapreneurs

No growth	2
No Market	2
Falling short of goals	2
Does not make a profit and is lack of cash	1
Cease to exist	1
No Profit	2

New Venture Success
Entrepreneurs

Positive cash flow	1
Profitability	9
Growth	5
Goal achievement	3
Exit	2
Sustainable	1
Customer satisfaction	2
Shows promise of financial rewards	1

Intrapreneurs

Managed effectively	1
Customer satisfaction	1
Growth	2
Achieved ROI	1
Goal achievement	1

List of Publications

- Gulst, N & Maritz, A 2009, 'Why is it that entrepreneurs fail? or do they?,' *Start Small Think Big, 22nd SEAANZ conference 2009*, Wellington, New Zealand.
- Gulst, N & Maritz, A 2009, 'Venture Failure: Commonalities and Causes,' *6th AGSE International Entrepreneurship Research Exchange*, Adelaide, AU.
- Gulst, N & Maritz, A 2010, 'The Paradoxical Nature of Venture Failure: The Australian Case, First Findings,' *7th AGSE International Entrepreneurship Research Exchange*, Sunshine Coast, Queensland AU.
- Gulst, N & Maritz, A 2011, 'The Paradoxical Nature of Venture Failure' *8th AGSE International Entrepreneurship Research Exchange*, Melbourne AU