RISING FROM FAILURE, STAYING DOWN, OR MORE OF THE SAME? AN INDUCTIVE STUDY OF ENTREPRENEURIAL REENTRY*

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ABSTRACT

Drawing on a multi-year qualitative study, we explore the phenomenon of reentry into venturing after a failure. The primary finding and contribution of this study is a pathway by which interactions of failure attributions and emotions lead to effective entrepreneurial reentry in the aftermath of a failure. Specifically, we identify three trajectories of reentry: separation (reentry with minimal modifications), reinforcement (no reentry), and metamorphosis (reentry with substantial modifications). We describe the differences between the trajectories and detail three dimensions of our primary contribution: negative emotions are not necessarily an obstacle to reentry, as previously thought; perceived controllability is critical in explaining reentry; and the evolution of attributional/emotional responses over time as a result of the interplay between these concepts is central to explaining effective reentry.

Keywords: entrepreneurial reentry; recovery; attributions; emotions; longitudinal study

INTRODUCTION

Reentering entrepreneurship following failure has become a topic of critical interest given a failure experience's potential to serve as a catalyst for effective venturing (Baù, Sieger, Eddleston, & Chirico, 2017; Cope, 2011; Shepherd, Williams, Wolfe, & Patzelt, 2016; Ucbasaran, Shepherd, Lockett, & Lyon, 2013). However, advancing from and adapting to failure in an effective way is complex and fraught with difficulty: business failure generates financial, emotional, psychological, and professional consequences that can diminish one's desire, abilities, and resources with respect to re-engaging in venturing (Stam, Audretsch, & Meijaard, 2008). Certain types of failure (i.e., bankruptcy) can be especially debilitating in terms of reentry (Metzger, 2007); these situations can diminish the entrepreneur's confidence and limit his or her future access to financial resources (Lee, Peng, & Barney, 2007; Lee, Yamakawa, Peng, & Barney, 2011). Additional complexity in entrepreneurial reentry[1] stems from the heterogeneous impact of failure on entrepreneurs (Cardon, Stevens, & Potter, 2011; Cope, 2005; Hayward, Forster, Sarasvathy, & Fredrickson, 2010; Shepherd, Wiklund, & Haynie, 2009; Singh, Corner, & Pavlovich, 2007; Yamakawa, Peng, & Deeds, 2015), which can influence perceived risk of subsequent failure and attempts to try again, for the entrepreneur as well as future investors (Shepherd, Haynie, & Patzelt, 2013; Ucbasaran et al., 2013).

For example, reentering entrepreneurs may be more prone to comparative optimism: the assumption that they are less likely to fail (and more likely to succeed) than first-time entrepreneurs (Helweg-Larsen & Shepperd, 2001; Ucbasaran, Westhead, Wright, & Flores, 2010). This may help to explain why reentering entrepreneurs are significantly *more* likely to fail than those entering for the first time (Metzger, 2007; Nielsen & Sarasvathy, 2011). Another example is the perplexing finding that individuals *intend* to reenter entrepreneurship even if the

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[1] While we acknowledge that reentry can also refer to serial entrepreneurs (e.g., Gompers et al., 2006; Wright et al., 1997) our focus is on post-failure reentry, considered more broadly.

failure has undermined their self-efficacy (Hsu, Wiklund, & Cotton, 2017; Sarasvathy, Menon, & Kuechle, 2013). Despite these insights into reentry intentions, process research and long-term-oriented research are becoming increasingly important in understanding the complexities of the evolution from business failure to reentry (Baù et al., 2017; Sarasvathy et al., 2013).

With this study, we hope to provide unique insights into the phenomenon of entrepreneurial reentry in the aftermath of a business failure. By means of an inductive, exploratory method, we followed a group of individuals for over two years, beginning the same month that their businesses went into bankruptcy. We were provided unique access to their decision-making processes, interpretations of the business failure, emotions, and entrepreneurial activities, offering a rare opportunity to further develop research on this topic. The study commenced with an open question on how failing entrepreneurs relate to and cope with failure over time. As it turned out, all but one of the individuals in our study, one after another, started a new business. Our research design allowed us to explore some of the complexity behind explanations for how and why individuals reenter entrepreneurship, going beyond the scope of designs used in prior research. Specifically, we sought to uncover processes that shape the ways in which individuals respond to failure over time and to explore in some detail *if* and *how* individuals engage in entrepreneurial reentry.

The *primary finding and contribution of the study* is a pathway by which interactions of failure attributions and emotions lead to *effective entrepreneurial reentry* in the aftermath of a failure event, which we define as applying learning as manifest by re-entry with modifications that promote the financial sustainability of a venture. This contribution has three dimensions. First, we find that negative emotions associated with a business failure are not necessarily an obstacle to effective reentry, as found in previous research, but, rather, can facilitate positive outcomes over time when coupled with shifting attributions. Second, perceived controllability when attributing blame for failure is critical in influencing both generative emotional responses

and pathways to effective reentry. Finally, the evolution of attributional/emotional responses over time as a result of the interplay between these concepts is central in explaining effective reentry. In detailing our findings, we reveal three unique *trajectories of post-failure reentry*. In exploring these trajectories, we contribute to the literature by offering a possible resolution of the fundamental emotional/attributional tension in understanding entrepreneurial re-entry: how to reduce the negative emotions of a failure while still learning from it in order to ensure effective reentry.

To put our findings and contribution in theoretical context, we next review the literature on failure responses with a particular focus on attributions, emotions, and reentry. We then present our methods and findings and offer a grounded model of post-failure reentry trajectories. We conclude by discussing how our findings advance current theory and offering suggestions for future research.

FAILURE RESPONSES AND REENTRY

Scholars define *entrepreneurial failure* as "the cessation of involvement in a venture because it has not met a minimum threshold for economic viability" (Ucbasaran et al., 2013: 175). While this definition may be open to interpretation by the individual entrepreneur, the bankruptcy of an enterprise is almost universally viewed as an indication of failure (Shepherd et al., 2016). Despite the general assumption that understanding entrepreneurial responses to failure is important, few studies explicitly explore how individuals experience and respond to failure and the resultant implications for "continued entrepreneurship" (Cardon et al., 2011: 79). Cardon et al. (2011) suggest that post-failure venturing is affected, at least in part, by the degree to which entrepreneurs view a business failure as a personal failure. Therefore the ways in which one makes sense of failure (i.e., seeking to understand "what went on") involves making attributions about its underlying causes (Yamakawa et al., 2015) while simultaneously managing emotions associated with losing something valuable (Byrne & Shepherd, 2015;

Shepherd, Patzelt, & Wolfe, 2011). In their study, Yamakawa and colleagues (2015) found that differences in how entrepreneurs interpreted the causes of failure (i.e., attributions) shaped subsequent venture growth; however, they conclude that there is a need for a more dynamic perspective on post-failure attribution in which differences over time are included. Based on this research, theories on failure attribution and emotions offer a promising pathway for understanding differences in how entrepreneurs interpret and make sense of failure and how their interpretations shape various aspects of reentry (i.e., the nature and scope of reentry as well as the likelihood of success).

Attribution Theory, Emotions, and Reentry Following Failure

Attribution theory, which seeks to explain how actors perceive and attribute events to certain causes and how these attributions influence subsequent behavior (Kelley & Michela, 1980; Martinko, Harvey, & Douglas, 2007; Rogoff, Lee, & Suh, 2004; Weiner, 1985, 1986), has been used in entrepreneurship studies that investigate how entrepreneurs infer causality for certain firm outcomes, such as performance, growth, and failure (Baron, 1998; Homsma, Van Dyck, De Gilder, Koopman, & Elfring, 2007; Rogoff et al., 2004; Yamakawa & Cardon, 2015). This area of research concentrates on the implications of a self-serving bias that occurs when one infers causality. The existence of a *self-serving bias*—the notion that people attribute success to internal factors, such as skills and competence, and attribute failure to external causes, such as bad luck or the market—is generally supported across contexts and professions, including among entrepreneurs (Kelley & Michela, 1980; Martinko et al., 2007; Tolli & Schmidt, 2008). For instance, Rogoff and colleagues (2004) found that entrepreneurs instructed to list causes of business success generally mentioned internal factors (e.g., individual characteristics, management, marketing). However, when the entrepreneurs were instructed to list factors that would potentially impede success, they primarily included external factors (e.g., regulation, competition, technology). While these findings are consistent with attribution

theory, it is important to acknowledge that entrepreneurs occasionally attribute failure to internal factors (see Yamakawa et al., 2015; Zacharakis, Meyer, & DeCastro, 1999).

Despite advancements in failure-focused research, there are indications that entrepreneurs' attributions of failure are far too complex to be analyzed as simply an external/internal dichotomy (consistent with Harvey, Madison, Martinko, Crook, & Crook, 2014). Elaborating on how narrative attributions express grief recovery and self-justification, Mantere and colleagues (2013) detail the complexity of these attributions and the ways in which failure narratives are used not only to "avoid responsibility" for one's actions but to comprehend the failure and provide context for growth and development. Mandl, Berger, and Kuckertz (2016) build upon this work and argue that post-failure venturing might be better understood by broadening the scope of attributions beyond the external/internal dichotomy. Indeed, attribution theory outlines two additional dimensions: controllability—the extent to which the individual perceives he or she has control over the cause; and stability—whether the cause is perceived as stable or varying over time (Weiner, 1985, 1986). While stability is commonly used in studies drawing on attribution theory, controllability has received the "smallest amount of research attention" (Harvey et al., 2014: 131) despite its potential to help us understand how one makes sense of prior experiences, including failure.

With few exceptions (Mandl et al., 2016; Yamakawa & Cardon, 2015), the entrepreneurship literature has ignored broader attribution dimensions when assessing post-failure attribution and action. In their study, Mandl and colleagues (2016) conducted a qualitative analysis and report that for certain types of entrepreneurs controllability influences reentry in a positive manner while for others it has no effect. They point out that controllability may be an important factor in understanding reentry, but in their brief exploratory analyses they do not offer a theory for why this may be so or how it might interact with other post-failure factors. In a related study, Yamakawa and Cardon (2015) explore how the combination of

causality (internal/external) and stability (stable/unstable) attribution dimensions relates to learning and speed of reentry; they find that rapid reentry enhances learning for persons whose causal ascriptions represent the internal/unstable combination, whereas those whose causal ascriptions represent the external/stable combination are less likely to learn.

Taken together, recent studies (Mandl et al., 2016; Mantere et al., 2013; Yamakawa & Cardon, 2015) stress that entrepreneurs are likely to attribute business failure to both external and internal factors, with an emphasis on external factors. However, these studies highlight our lack of understanding about how different combinations of attributions influence post-failure venturing (cf., Hsu et al., 2017; Yamakawa et al., 2015) or why failure responses over time may be better understood through analyses beyond the locus of causality.

Possible interplay between attributions and emotions? Entrepreneurial failure is a difficult experience that often involves extreme (and potentially debilitating) negative emotions (Shepherd, 2003; Shepherd et al., 2016). Negative emotions associated with the failure can impact sensemaking processes: how one scans for information on the failure, processes it, and seeks to (hopefully) learn from it (Shepherd, Patzelt, Williams, & Warnecke, 2014; Weick, 1979). Indeed, negative emotions are likely to influence the "plausible retrospective accounts" that one develops to "inform current action" (Shepherd et al., 2014: 1232; see also Daft & Weick, 1984; Gioia & Chittipeddi, 1991; Weick, Sutcliffe, & Obsfeld, 2005). Therefore it is likely that emotional responses to failure and related coping mechanisms interact with an individual's attributions to shape post-failure actions, including reentry.

One way that emotions may interact with attributions is in coping strategies to minimize grief. As described by Shepherd (2003), coping strategies can involve loss-oriented coping (experiencing negative feelings and grieving) as well as restoration-oriented coping (taking action to address the loss). Emotional responses to business failure are important as they can *inhibit* or *enable* entrepreneurial progress (Shepherd et al., 2014). While negative emotions can

decrease the scope of one's attention and cognitive flexibility in exploring new opportunities (Shepherd et al., 2011), they can also trigger reflection on what went wrong and what can be done about it. Similarly, coping strategies may include assigning blame elsewhere to minimize the emotional anguish associated with the failure; however, this could come at a cost (i.e., inability to learn) (Shepherd, 2003; Shepherd et al., 2016). For this reason, there have been calls (e.g., Shepherd, 2015: 497) to better understand "the underlying mechanisms (i.e., the 'how' and 'why')" of the relationship between emotions and progress in an entrepreneurial endeavor, which up to now have been "black boxed" (Murphy, Klotz, & Kreiner, 2017). This would include, we argue, exploring the theoretical black box of how attributional/emotional responses interact to influence progress on reentering entrepreneurship following failure.

In summary, the literature highlights a potential tension in effective reentry following failure: one might attribute failure (rightfully or not) to external sources as a means of attenuating negative emotions, but (potentially) at the cost of applying lessons learned in subsequent venturing efforts. Therefore we employed grounded theory qualitative methodology to explore processes that shape the ways in which individuals respond to failure over time, as well as whether and how interactions between emotions and attributions shape the reentry process.

METHODS

We designed a qualitative grounded theory study (Strauss & Corbin, 1998) that would allow for (1) exploration of how individuals relate to and cope with failure; (2) access to individuals who trust us and are willing to share personal insights that could be theoretically informative; and (3) longitudinal detailed, real-time exploration of the phenomenon of interest. This approach has a number of advantages. First, for many individuals, business failure is associated with thoughts and feelings that may be difficult to openly discuss with researchers; this can hinder researchers from obtaining valuable, nuanced data on failure responses and

subsequent actions. Second, as acknowledged in the literature (e.g, Shepherd et al., 2016; Yamakawa & Cardon, 2015), detailed information about possible explanations for different responses (e.g., attribution, emotions) can be difficult to capture through cross-sectional study designs. Third, failure responses likely evolve over time; they may change as individuals attempt reentry and re-frame and/or alter their plausible retrospective narratives (Daft & Weick, 1984; Gioia & Chittipeddi, 1991) of entrepreneurial failure (Mantere et al., 2013). Despite these known shifts in one's perspective on failure, the changes are difficult to capture using traditional socio-metric techniques (Baù et al., 2017; Hsu et al., 2017). Indeed, a longitudinal design allows us to problematize some of the accepted models and theories on reentry and may shed new light on how to understand the reentry behaviors of failed entrepreneurs and the consequences of these behaviors.

Research Setting and Sampling

The sample was selected using a national database of private organizations that identifies self-employed, small-firm entrepreneurs in a selected geographical area whose businesses went bankrupt in the month prior to the commencement of the study. This approach generated a raw list of 60 companies. We excluded internal corporate ventures, as the focus was on business owners. This narrowed the list to 30. Each of the 30 owners was contacted for a pre-interview inquiring about his or her general experience and future business plans. From the data gathered during the pre-interviews, those who planned to retire or to relocate from the geographical area (rendering them difficult to closely follow longitudinally) were excluded. This process resulted in eight individuals, seven of whom agreed to participate in the longitudinal study. This sample size is ideal for the development of grounded theory (Agar, 1996; Denzin & Lincoln, 2011; Strauss & Corbin, 1998), given the intense field work and the need to maintain an active exploratory relationship with the individuals over a long period. With a larger qualitative sample, it would have been extremely difficult to track the level of detail

sought over the desired period. Table 1 provides basic details for each individual (with names altered) and the data collected over the 27 months that we followed them (May 2014–August 2016). Next, we provide a brief summary of each individual's business failure.

Tom was an entrepreneur in the boating industry who had to close down his business following heavy losses and excessive debt. Ronald had a business in the trucking/transport industry and experienced failure after he was reported to the tax authorities for non-payment of taxes; he ended up with a heavy debt load and financial losses. John was in the advertising/promotions industry; after extensive expansion into new business areas, he experienced heavy financial losses resulting in bankruptcy. Anne had a business repairing and selling boat covers before she suffered extensive financial losses and ultimately went bankrupt. Urban sold equipment for equestrian events; his company emphasized unfettered growth, which resulted in indebtedness and financial losses. Per, who owned a family woodworking business, faced operational and financial challenges after efforts to expand the business. Ken experienced financial challenges and costly contract disputes after difficulties with the landlord and inadequate revenues for his retail business.

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Data Collection

Consistent with qualitative, grounded theory interviewing techniques (Charmaz, 2014), we began our data collection by having semi-structured, exploratory conversations with the individuals (Murphy et al., 2017). The purpose of these discussions was to capture commentary that might deepen our understanding of emerging concepts, which in turn could be useful for subsequent interviews, observations, and secondary data collection (Murphy et al., 2017). After the initial discussions, we established a process for collecting data from various sources (i.e., interviews, observations, secondary data sources, etc.) in line with our objectives (Charmaz, 2014). This included the development of interview protocols and the establishment of rules for

capturing data (e.g., record all data in field notes within 24 hours). Furthermore, systematically drawing upon multiple sources of data lends itself to the triangulation of findings and therefore to the gathering of robust and accurate information as an input to theory development (Anand, Gardner, & Morris, 2007; Jick, 1979). In Table 1 we summarize the data sources for each case. In this section, we briefly describe the processes by which data were collected and organized for analysis.

Primary data. Our primary data sources were interviews, informal discussions, observation/field notes (diaries), and discussions with individuals via e-mail, Facebook, and phone/Skype (summarized in Table 1). Initial interviews (n=20) lasted from 60 to 140 minutes and were recorded. They served to gather background information about the businesses and the individuals themselves, including why they had founded the business, their visions and goals, how they described themselves as entrepreneurs, and the business failure. We structured these interviews with a focus on the nature and process of the failure, its cause(s), and what had transpired as a result (personally and professionally). Sub-topics in the interview protocol included the following: how individuals felt and acted when they realized that their business was going bankrupt; how important the business was to them personally; how they viewed the failure now, post-bankruptcy; what they attributed the failure to, and why; whether and how the loss was causing harm; and how the failure affected and was dealt with by those around them. We concluded the interviews by asking the individuals about their plans for the immediate future: what would happen next, what they wanted to do next versus what they would/could do, what would be the most important factors for them in starting another business, what would they do differently this time, and what they learned from the failure.

As the project progressed, we revisited their reflections upon the failure and whether and how these reflections were shaping their decisions. In addition to the formal interviews, we met regularly with the individuals for informal discussions and observations (weekly for the

first year and then monthly). For example, we met them over coffee or lunch or for a walk and also visited various business events such as public breakfast meetings. This resulted in many hours of informal interviews and observations (see Table 1), which were not recorded but were documented through field notes as a means of following up on topics and emerging themes (n=48). Notes were captured either real-time in interview notes or within a 24-hour period. We opted for this approach over continuing to record conversations in order to balance being unobtrusive in our data collection with capturing interviewee statements verbatim.

For each data-collection type, we took real-time notes and captured follow-up thoughts in detailed field notes, where we documented impressions of emerging themes (e.g., blaming certain actors for the failure), which would be used in our analysis. This structured process allowed for rigor and organization leading up to our analysis. As data collection progressed, we held many exchanges via phone, email, or Facebook. These discussions were largely informal and were used to follow up on specific topics, capture timeline updates, document any significant events, and assess the consistency of statements over time. Through these exchanges we gradually developed a strong relationship with each individual; the individuals shared their decision-making logic and thinking processes as they moved past their failure experience. This combination of semi-structured interviews, informal discussions, and observations, in addition to the daily Facebook posts and comments of six of the seven individuals, was fruitful in gaining an understanding of how they made sense of the failure and moved on.

Secondary data. We gathered secondary data to triangulate our findings and validate emerging themes. Secondary sources included annual reports, internal documents (including communications to and from legal counsel), press releases, and news articles (used primarily to corroborate primary data). For example, in some cases the individuals told us that things had been going well until certain external actors caused problems. We verified (or debunked) these claims by reviewing internal documents concerning the business. In total, we accumulated more

than 1,000 pages of data, which we then combined with the interview data to construct a history for each individual (Eisenhardt, 1989) to ensure systematic data analysis. The history summarized the sequence of events for the individual and provided real-time insights into thoughts, feelings, and events as they evolved over time.

Data Analysis

We followed established procedures for theory building grounded in qualitative data (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 2013)—that is, we approached the data with no pre-conceived hypotheses and began by analyzing the history developed for each individual (Eisenhardt, 1989). Consistent with an inductive, grounded theory approach (Glaser & Strauss, 1967; Isabella, 1990), we constantly compared and contrasted our data throughout the analysis. This involved not only iterating between data and emerging findings, but also moving between data and theory to help identify what might be novel.

We began our analysis by inductively coding the data, focusing on how the individuals described their failure experiences over time and whether and how those experiences shaped their post-failure actions. For example, we identified specific details repeatedly mentioned or comments repeatedly made and let these serve as a starting point for our coding (Van Maanen, 1979). This is how themes relating to emotions (especially negative emotions) and attribution of blame (external causes or oneself) began to emerge as potentially important concepts. As we iterated between data, emerging themes, and the literature (Glaser & Strauss, 1967), we continually modified the categories, "eliminating old ones and adding new ones to account for newly acquired evidence" (Isabella, 1990: 13). Table 2 shows seven steps whereby our analysis evolved as we iterated between the data and the emerging model. Our final analysis and presentation of findings center around the organizing categories and coding framework arrived at in step 7. Table 3 presents the organizing categories for the final framework in greater detail,

including representative illustrations from the data and definitions for each category in the final model.

--- INSERT TABLES 2 AND 3 ABOUT HERE---

We coded our data in three distinct time periods, labeled "initial response" (first 0–5 months following failure), "interim response" (repeated interaction during months 6–17), and "revised, long-term response" (18–27 months after the failure). We selected these periods as we iterated between the data and our analysis—highlighting periods when we began to see changes occur among the individuals. This allowed us to analyze the data in chronological order to track any fluctuations in perspective over time and attempt to identify trajectories for each case. While this process still did not allow the ability to infer causality (due to the qualitative design of the study), it did help in identifying the *interplay* of core concepts that appeared together at different points in time. For example, as we coded data chronologically, it became evident that the way in which individuals assigned blame (e.g., attribution) for their failure interacted with emotions, shaping patterns of whether and how they reentered. We systematically documented our emerging themes and associated comments by means of tables, with rows representing the individuals and columns representing the themes. We constructed multiple tables in order to track different themes over time.

As we reviewed our data tables, we sought to identify "patterns, themes, and processes that would account for the frequency, strength, and presence or absence of any category" for each case (Isabella, 1990: 14). This stage of analysis involved "leaping" from data to theory (Mintzberg, 1979), where static data were converted into a dynamic process model grounded in data. During this stage, we iterated between data and theory and began to focus on extant literature relating to failure attributions and emotions (detailed above in our literature review) and how these findings might fit within the literature. In our stepwise framework evolution (presented in Table 2), the pivot toward attributions and emotions emerged in step 3 and was

deepened in step 5 as we reanalyzed all data with the degree of control in mind. Finally, our perspective on attributions, emotions, and ultimately the different paths that individuals followed after the failure was refined in step 7, when the analysis focused on the interplay between attributions and emotions. As we progressed in our analysis we sought to understand how individuals appeared to pursue such different paths in response to the failure. This led to a focus on identifying different trajectories as well as on factors that may have shaped the differences. More specifically, to refine our understanding we added precision to our coding of emotions and attributions, by detailing the valence and intensity of negative emotions as well as the locus and perception of controllability of attributions. Eventually we developed several theoretical models in our attempt to understand the data, constantly iterating between the raw data, theory, and the emerging model.

The development of these theoretical models fell into several stages. As the analysis progressed, we began to articulate our findings in the language of theory (rather than the raw data), consistent with the scholarship on grounded theory (Strauss & Corbin, 1998). As noted above, two prominent themes dominated typical conversations, formal interviews, and observations: attribution of blame and emotions. Consistent with our coding protocol, we recoded our data for these concepts by creating new columns associated with each row, noting how the themes appeared to impact how the individuals made sense of the failure over time. This allowed us to compare and contrast respondent data across specific periods. First, in building on attribution theory, we documented differences in *attribution* by analyzing individuals' statements regarding the reason for their failure and comparing those statements with information contained in business documents and annual reports as well as in follow-up interviews during which we discussed differences between individuals' statements and the business documents (e.g., reports, strategic documents). Over the study period, a tendency to blame internal, external, or a mix of internal and external factors clearly emerged. Similarly,

individuals differed on whether they believed the failure was controllable. For example, we coded differences in how they viewed their own role and whether they felt they could have avoided the failure had they tried harder, become better informed, and so forth. In doing so we identified both the attributed sources (internal/external) and degree of control with respect to the failure (controllable/uncontrollable).[2]

Second, we assessed the individuals' *emotions* based on the extent to which their thinking about their business failure generated enduring emotional responses tied to it (Shepherd, 2003). In our more advanced coding efforts, we coded the data for two primary aspects of emotion. We coded the data across our three time periods to track the valence of emotions (e.g., if and when the individual demonstrated positive and negative emotions associated with the failure) as well as the intensity of emotions (intense or mild) (Cacioppo, Petty, Losch, & Kim, 1986; Pekrun, Vogl, Muis, & Sinatra, 2017). To add clarity and to supplement these primary codes, we captured discrete emotion descriptors as provided by the individual. For example, negative emotions included grief, sadness, loss, guilt, and disappointment. We documented all of these findings in the working data tables.

In any research design, it can be challenging to identify individuals' emotions, but ours provided a window into their emotions over an extended period, coupled with various types of data. While in this study individuals' emotions are illustrated primarily through interview transcripts, it should be noted that non-verbal communication during the interviews and observations was essential in identifying the emotions and their (potential) endurance over time.

As the study commenced at the same time as the individuals' businesses failed, we did not know if any of the individuals would in fact reenter. Our first coding of *reentry* was therefore the simplest possible: whether they reentered or not (yes/no). Over time, however, all

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[2]A stability dimension of attributions was not included, as the data related to whether the cause was temporary or permanent were not substantial enough to be included in the comprehensive analysis.

individuals except Anne did reenter, providing rich data from each process leading up to reentry. Our data allowed us to identify nuances in their reentry, including the degree to which they changed their business operations and their product/industry focus.

After coding, we began the process of mapping the configuration of all factors (e.g., response to failure, processes, and outcomes of reentry) to identify coherent patterns across individuals (Eisenhardt, 1989). We explored these attribution and emotion patterns over time to consider the broad trajectories among the individuals or the unique path, route, and configuration of factors leading up to reentry. From this iterative process between theory development and data analysis, we identified three trajectories that inform the investigation of our research question on the paths between failure and potential reentry. As our final step in coding, we selected labels for the three trajectories in responding to failure, as outlined in the opening paragraphs of our Findings section.

Trustworthiness and reliability of analysis. Qualitative researchers are urged to build trustworthiness of their findings by ensuring that their data are reliably coded and analyzed (Lincoln & Guba, 1985; Murphy et al., 2017). We considered reliability throughout the analysis and took a number of steps to check our emergent findings and enhance their validity. First, we regularly validated our emergent findings and developed codes with interviewees (i.e., tested the concepts with the individuals) (Whiteman & Cooper, 2016) and the secondary data used for triangulation (to confirm or provide alternative perspectives on the interview responses) (Plowman et al., 2007). Second, we sought a deeper level of insight by becoming intimate with our topic of interest. We spent many hours observing and interacting with the individuals. Thus we were able to confirm (or disconfirm) assumptions regarding codes. For example, we were able to verify statements concerning their emotional or attributional state at different points in time. These two steps helped us to avoid over-relying on observation or interview data (Alvesson, 2003) and ultimately enhanced the validity of our analysis.

Third, we independently coded the interviews as a team but did so in a rigorous fashion, providing independent yet reliable coding. This reliability coding process had four components. First, one author documented initial themes and insights from observations and then generated a coding document identifying key concepts. This culminated in a complete coding table using Microsoft Excel. Next, another author coded a representative sample of these data, having been given examples of each category (Isabella, 1990). This second coder confirmed the coding attributions ascribed by the first coder. Third, the team met regularly to discuss coded data as we progressed through the analysis. This often resulted in the collapsing or expanding of themes as we iterated in the process of coming to an understanding of the data, emerging themes, and relationships between themes. Finally, we wrote memos as part of the process of converting "data into theory" (Lempert, 2007: 245) during the grounded theory analysis. This helped us to formalize our evolving perspective as the analysis progressed.

Consistent with established qualitative research methods (Hammersley & Atkinson, 2007), and as described above, we drew conclusions from all of our data sources. To further articulate the data, we highlight comments made during semi-structured interviews and informal discussions, which provide first-hand representations of our findings. We first summarize our general findings relating to the interaction between failure attributions and emotions in influencing reentry, then discuss the processes of three different attribution-emotion interplay trajectories that emerged from the data.

FINDINGS

Each of the individuals in our data experienced a business failure in the form of bankruptcy. They therefore faced a similar challenge: how to respond to the failure experience in their subsequent work activities. Despite this common starting point, each individual's response to failure was unique. To explore differences in responses, we identified common building blocks that emerged over time: initial general attribution tendency and emotions,

attributional/emotional interplay, long-term general attribution and emotions, and reentry (if applicable). In Figure 1 we use these building blocks to display our general process model of post-failure reentry and highlight the previously black boxed interplay between emotions and attributions, including two dimensions of attribution (locus of causality, controllability) and two dimensions of emotion (valence, intensity).

---INSERT FIGURE 1 ABOUT HERE---

Our analysis revealed that the black boxed attributional and emotional interplay was critical for explaining differences in reentry, which was manifested in three trajectories: (1) separation (reentry with minor modifications), (2) reinforcement (no reentry), and (3) metamorphosis (reentry with substantial modifications). As a preview to our detailed findings, we illustrate the processes for each trajectory in Figure 2, which expands on the theoretical concepts identified in Figure 1 and offers a grounded model of post-failure reentry trajectories. Table 4 presents a comparative view of differences across trajectories. In the following sections we provide a detailed review of each trajectory that draws extensively on individuals' own accounts. We organize each trajectory around the initial period after the failure, the interim period after the failure, the long-term period after the failure, and, finally, reentry.

------INSERT FIGURE 2 AND TABLE 4 ABOUT HERE------

Separation Trajectory

We label the first trajectory *separation*, which was associated with those who responded to the failure by separating emotions from the failure by consistently attributing the failure to external sources over time (Tom, Urban, Per, and Ken). These individuals initially responded with mild negative emotions such as disappointment and annoyance, explaining that the failure was out of their control due to other actors or simply due to industry trends. Over time (i.e., the interim period), these individuals persisted in their belief that external factors out of their control had shaped the failure, which further reduced negative emotions. This resulted in even

greater separation of personal emotional responses from attributions tied to the failure. In the end (long-term period), despite avoiding negative emotions and self-blaming, these individuals quickly reentered, but with minimal modifications to their approach to venturing.

Initial period. Those on the separation trajectory initially described the failure as "beyond my control" (Ken) or a "misfortune" due to external factors such as the "market," "competitors," "industry factors," or just "bad luck" (field notes from interviews with Ken, Per, Tom, and Urban). As Per explained: "It was the market . . . but also the administration around planning permissions. There were severe delays. This made it a lot worse." Urban also laid the blame on several external factors: "Because of that [construction work, wrong customer], we just ran out of time to fulfill our plans." Ken's attribution was narrower; he specifically blamed the landlord: "We were treated unfairly [by the landlord]. . . . If only they had listened to me, to my suggestions . . . we wouldn't be here today. It could have saved us and other businesses as well." Interestingly, when asked if they had anticipated the failure, these individuals responded that they had not: "Absolutely not . . . it came from out of the blue, as if someone had turned off the valve" (Tom).[3] "I could never have imagined that our new buyer would back out from this opportunity" (Urban).

While those on the separation trajectory were initially "surprised" and "frustrated" by the loss (Urban) and could not "understand what had happened" (field notes), it did not bring an intense emotional response. Rather, these individuals described their initial emotional state as "a little frustrated . . . irritated . . . and annoyed" (Tom) but also "relieved [to be able] to try something new" (Urban) in more fruitful industries or contexts. As Tom explained in one of the initial interviews, "[The failure] just happened out of the blue, so I guess it's just, like, OK, it's not working so let's dig in and move on . . . that's how I felt about it." When we probed for what he was doing now that the venture had failed, Tom explained that he was "mostly doing

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[3] This declaration is inconsistent with company financial statements, which showed a high risk for failure over several months. However, the individuals continued to insist that the failure came out of the blue.

other things, such as walking the dog and thinking about new business opportunities," as the failure was no longer "on my mind." Similarly, when responding to our follow-up questions regarding how he felt about the failure, Urban explained that, while he was "irritated," he believed that it was less of a loss for him ("this is no big deal for me") than for the business community, "who will greatly miss our" venture—demonstrating the absence of an intense emotional response.

The other individuals on the separation path (Ken and Per) initially exhibited more intense negative emotions (e.g., anger and sadness). Both Ken and Per cried during our first meetings as they "got the experience off my chest" (Per). Per was angry "at the staff for failing to heed my warnings," while Ken was angry with the landlord, repeatedly posting negative, angry comments about the landlord on Facebook. Despite this initial reaction, these emotions resolved rather quickly (within 1–2 months of the failure). For Ken, the turning point was when the lawsuit against the landlord was rejected. He then stopped focusing his energy on the landlord and shifted it to new opportunities. Per did not have a distinct turning point. Rather, his emotions resolved gradually as he came to see that the failure was not the end of the world, which allowed him to "move on," as he had had "enough wallowing . . . enough is enough!" When asked to describe his response immediately after the failure, Per said, "I guess I'm a bit unstable . . . but no one can take away what I know . . . If only they [the employees] had listened to me! That's the only emotion—frustration [over the fact that] they didn't just follow my orders." Only a couple of weeks later, however, Per's response to the same question had shifted:

> My emotions vary; it's different from one day to the next . . . but for the most part I'm OK—things will work out . . . [The failure] was emotionally tough, a bit distressing, but I'm used to it . . . always fighting for market share. So this is normal.

Interim period. As time went on, all those on the separation trajectory solidified the attributional positions established during the initial stages after the failure. Per and Ken, whose response had been to ascribe the failure *broadly* to outside forces, now became even more

specific about what had gone wrong. For example, during our interviews they provided cohesive, logical explanations for what had caused the failure, developing their arguments why others were to blame. Ken still blamed the property owner for his failure: "Without their reconstruction of the building, this would never have happened." In the initial meetings, Ken dodged questions about how it was that the other businesses in the building, having the same landlord, managed to survive the reconstruction. During the interim period, however, Ken was willing to address such questions. Instead of reflecting upon his own role in the business failure, Ken portrayed himself as helping the other businesses to survive (i.e., he did everything right). Even when Ken was presented with evidence from business documents that his enterprise had shown poor performance prior to the reconstruction, he persisted: "This wasn't the problem. We would have managed to turn that around over time, as we've always done, but they [the property owners] made it impossible for us to do so." He also reflected upon how he had no desire to run a business in the same industry again, as it would likely be affected by property owners' plans in the future. Similarly, while Per's response during the initial period was more emotional and focused on blaming others, during the interim period he developed his arguments and story about what had caused the failure, with a strong focus on those things he had done right (e.g., he had seen it coming, had warned the staff, and knew what to do about it—even if the staff did not understand).

Our findings reveal that the external, non-controllable attribution of the failure attenuated negative emotions associated with the failure—"It wasn't my fault. There was nothing I could do about it, so it doesn't make any sense to hang my head over that" (Urban). Interestingly, the interplay between attributions (external and uncontrollable) and emotions resulted in the near "total absence" of failure-related negative emotions. Once these individuals had set the story for why their businesses as failed (Per, Urban, and Ken), they were emotionally ready to engage in new projects and did not "look back emotionally" on the failure (Ken). Tom

and Urban said the failure was frustrating but emphasized that they were "eager to move on" and "relieved [to be able] to try something new." Upon repeated questioning in each of our interviews about his emotional state, Tom explained that he was emotionally "fine," "excited," and "eager" to embark on new entrepreneurial ventures. Similarly, Urban stated that he was "optimistic" and "excited about all these new opportunities that I see" and "I can't help thinking about all that I want to do." During the interim period, Per reconceptualized (i.e., reset his story" about the failure), transforming it "from a painful mistake" to a "moment to be proud of," as he felt he had acted with "competence in making difficult decisions despite insurmountable industry factors." Per even said, "I don't give a damn about that [the failure] anymore." He started to become very active and "visible" within his local business association. Similarly, Ken stated that he had "dissolved the company in the right way" and had "done right by my employees . . . demonstrating competence despite industry conditions." During this period, Ken was very visible in the public and social spheres, but with a positive approach. Posts on Facebook were never about the failure or the landlord but about humorous things and events that he would be attending. With negative emotions effectively separated from their actions, those on the separation trajectory felt that they could easily "cash in" by simply finding a new context: "I'm excited about everything else I can do and [how I can] use my skills by opening a new shop in a different location" (Ken). "I'm relieved to [be able to] move on to a new industry where it's actually possible to reap [benefits from all that I do well]" (Per). A comment by Tom captures this eagerness to move on:

> I have all these ideas that I want to follow up on. . . . Arranging events, marketing, advertising. . . . It's a blast. . . . That's the most fun to do. . . . I love to be part of something new, to think and plan for how to grow it into a success.

The reduced negative emotions emboldened those on the separation trajectory to accept "as fact" external causes for the business failure, allowing them to shed negative emotions

surrounding it in favor of positive emotions associated with "potential success" in new entrepreneurial ventures.

Long-term period. In the long-term period, all those on the separation trajectory still argued that the external factors that had caused the failure were "entirely out of my control" and were convinced that they had "done everything right" (field notes). Urban maintained that "if she [a buyer] had been up-front with me, we would never have failed. Then we could have developed further." Ken still blamed the landlord: "If it hadn't been for [the landlord], this wouldn't have happened." Per gave the exact same explanation in a late interview as the explanations offered in early interviews:

> [We failed] because two or more markets died simultaneously . . . The staff . . . I told them what they had to do and they just wouldn't listen . . . All these new regulations, that didn't help either . . . And the weather that winter, not to forget.

After they had set their stories for why the failure happened, they explained that they had "closure with that period" of their life and expressed no interest in further reflection (field notes). They had shifted their focus to the future, turning their back on the past and expressing more interest in new opportunities. Urban and Tom were so eager to talk about new opportunities that it was difficult to get them to discuss any other subject during our interviews. The "past is the past" (Tom). Their minds were "occupied with the future . . . what is to come" (Urban). As a result, these individuals were unable to see the benefit in reconsidering, revising, or reflecting on themselves, their business strategy, their managerial style, or the way they ran their business (field notes). Urban explained that he had not gained new insights from the failure: "I already knew what I need to know [about being an entrepreneur]." Similarly, Tom said, "I'm excited to move on. I know I was on to something, and the failure was not because of me or something I did wrong. This time it will probably work out better; I know it will."

Interestingly, as time went on these individuals seemed to forget the failure entirely. When we questioned them about it in terms of their emotions, they said things like "Well, that

was a pity but . . . I can hardly remember it at this point" (Urban). They were surprised (and somewhat annoyed) that we were still talking about it, indicating that it was a distant memory. Ken said, "All the possible negative things that might have come from the failure turned into something positive . . . I feel at peace. Things will work out and the failure really is way behind me." Urban emphasized how he rationalized why he felt as he did: "It's a business that depends on decisions. Decisions that I make are made on solid, businesslike grounds. So, despite failing, I don't feel too bad about it—things are calm." Tom's reaction to questions about his emotions tied to failure was clear:

> To be honest, rather than focus on the possible "pain" of the failure, I think more about what could have been and what I want to do next than about the failure as such. [To be clear], I'm not emotional, I've just always had a lot of ideas—I love working on ideas.

In elaborating on this concept, Tom captured the interplay between attributions and emotions: "I don't think about it much—it doesn't affect me emotionally; you can't walk around being all bitter. And, I mean, it's not like it was my fault anyway." Similarly, Per said, "I'm really OK with the failure. It wasn't such a big deal . . . there are several things for me to do [now that the company has failed]." Indeed, when at one point we wanted to follow up with Per on how things had evolved with the agent (at whom he was so angry initially), he hesitated, trying to remember that situation: "Let's see, how was it now?" They had so distanced themselves emotionally from the failure that it was essentially a "non-event" that had happened at one point in their lives (field notes). Urban explained, "How can you feel bad about something you couldn't do anything about? I feel good and confident about where I'm going," while Ken concluded, "That's history."

Reentry with minimal modifications. Despite having experienced a significant failure, those on the *separation trajectory* reentered entrepreneurship with minimal modifications. They all adopted a similar business model and simply avoided whatever factor(s) they attributed the failure to (e.g., industry, product type). Ken opened a new shop in another location, Tom entered

a new industry but with the same risky and impulsive investments, Urban entered a new industry but maintained the same lack of structure, and Per entered a new industry but without any clear changes from his failed business. Our findings suggest that this reentry type was shaped by persistent attributional and emotional mechanisms. First, these individuals described a complete *disassociation with the failure*, which in their minds was inconsistent with making changes. Urban explained: "Why should I change? Nothing was my fault; the failure was just because of one customer." By disassociating the failure from their actions, those on the separation trajectory openly wondered "what could I learn from this other than to go in a different direction?" (field notes). Tom had new engagements soon after the failure, and since he repeated the same mistakes he was more focused on the problems with the "new thing," or how to ensure the success of the new opportunity, rather than on mistakes from the "distant past." When asked about the new problems in relation to the old business that had failed, he saw no connection at all: it "had never crossed my mind" that they were interrelated (even though the data reveal that the bank obviously made that connection). This lack of openness to learning shaped the decision to make only the most minimal changes when reentering.

Second, as those on the separation trajectory reentered entrepreneurship, they expressed *emotional indifference* to the failure. This, coupled with a general disassociation from the failure, shaped both when (relatively quickly) and how (with minimal modifications) they reentered entrepreneurship. Ken explained that "bankruptcy is really not that big a deal in people's minds these days . . . I'm moving on." Similarly, when asked if the failure "still hurts," Urban said, "No, I don't really think about it much . . . [I] focus more on opportunities to come." Negative emotions were removed to such an extent that there was no self-reflection, such as how they might act differently on future projects. Interestingly, they persisted in highlighting their own excellence. Tom described himself as "creative and innovative," which, according to our data, contributed to a high degree of risk-taking, hasty decision-making, and, soon after, yet

another failure (i.e., the same story repeating itself). Per emphasized that he was a good leader and had done everything possible to identify and mitigate risks to the business but that his efforts were in vain due to staff "incompetence."[4] Indeed, those on the separation trajectory never examined their competence, decision-making, or strategy; their focus was on avoiding the external factors that (according to them) had caused the failure. Therefore, while continuing to blame external sources appeared to mitigate negative emotions, it was not effective in easing attributional-emotional tensions in a way that might promote successful reentry.

Reinforcement Trajectory

We label the second trajectory *reinforcement.* This trajectory was associated with Anne, who consistently experienced reinforcing negative emotions and self-attributions that led to dysfunction and an inability to reenter. This individual initially responded with intense negative emotions such as grief, sadness, and loss. She blamed herself for the failure, yet believed that the failure was beyond her control. Over time (i.e., the interim period), these emotional and attributional responses reinforced one another, creating a vicious cycle of intense negative emotions and self-blaming. In the end (i.e., the long-term period), Anne became emotionally paralyzed by the failure experience, as demonstrated by her belief that internal, uncontrollable factors would undermine any effort to reenter entrepreneurship, or even to enter traditional employment.

Initial period. The individual on the reinforcement trajectory (Anne) initially described the failure as "my fault" and as caused by her "lack of skills and abilities as a person." Anne frequently spoke about what she conceptualized as a "real entrepreneur" and stated that she simply did not have what it takes to fulfill that role: "I'm not able to be an entrepreneur. I thought I could do it, but apparently I can't; I don't have it in me." Furthermore, in the early days after the business failure Anne described herself as "stupid" and "incompetent." These

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[4] From informal conversations with the staff, we suspect that they would not agree that Per was an excellent leader.

statements taken together demonstrate both an intense self-attribution for the failure ("it's all my fault!") and the suggestion that she lacked the control necessary to influence the outcome ("I don't have it in me").

Beyond the initial attributional response to the failure, Anne experienced intense negative emotions such as grief, sadness, and despair. During the early days, Anne had difficulty making it through the interviews without falling into episodes of sobbing and verbal mourning for the failed business. She described her emotions as "incredible shame and humiliation" for failing to live up to the role of entrepreneur and explained that these emotions were "completely incapacitating." Throughout this initial stage, many interviews were delayed or postponed due to her dysfunctional state. This grief, coupled with the nearly singular self-attribution of the failure, appeared to fuel a vicious cycle, to which we now turn.

Interim period. During the interim period, discussion of the failure appeared to cause renewed difficulty for Anne. When we asked whether and how her perceptions of the business failure had evolved, she continued to cite the primary cause as her "failures as an entrepreneur" and "general inability to do things right." During many of our visits, Anne would become visibly upset (although to a slightly lesser degree than in the initial period), repeatedly discussing the same minor shortcomings, such as her failure with pricing for specific customers, her inability to converse with financiers, her poorly formulated contracts, and her inability to run the company effectively. At one point she even discussed the tables she had bought for the factory. She kept dwelling on every detail, concluding that in her every decision or activity she had made some mistake. This internal attribution appeared to diffuse her self-belief such that she did not feel comfortable pursuing traditional employment, let alone reentering entrepreneurship. She felt a "failure" and believed that, being someone who "could not achieve my initial goals," she should not "inflict" her flaws on other organizations. While Anne was able to identify areas where she had made mistakes (a critical step in learning from failure), her

intense self-attributions appeared to hinder her from taking positive action on those lessons; she saw herself, not just her actions, as a failure.

When questioned about her emotional state, Anne expressed "shame" for "let[ting] my family down" and "damag[ing] my family's name and reputation." Anne's negative emotions were so intense that she isolated herself to the point of not answering her phone (field notes). As she reflected on her negative emotions, Anne described her founding of the firm as "a realization of a life dream" and the failure as "[ruining] not only the business but also my dreams and sense of self." She succinctly summarized her emotional state and its impact on her approach to reentry: "I don't see anything for the future." Beyond the psychological distress, the failure also resulted in physiological symptoms that affected Anne's well-being. She felt chronically ill, incapacitated, and unwell, and for quite some time she did not even leave the house (field notes). Anne explained that her physiological condition contributed to her downward spiral of negative emotions, rendering her unable to "move on." Anne's intense negative emotions solidified her perspective that the failure was due to uncontrollable personal characteristics, which proved to be an extremely debilitating emotion-attribution interplay.

Long-term period. In the long-term period, Anne continued to explain that she lacked the skills and abilities needed to be successful regardless of her efforts and was therefore "destined to fail." Thus Anne believed that failure was her "fate" due to some innate flaw. She experienced ongoing emotional distress. Even years after the bankruptcy, she became emotional when discussing the failure (field notes). Anne said that her ongoing emotional distress severely hampered her efforts to find permanent employment. In the latter interviews we continued to document her expressions of "self-doubt." She was unemployed, expressed fear of venturing again, and doubted that anyone would be willing to hire her, given her "lack of basic skills." Thus the failure had engulfed her entire professional life: over time, her negative emotions and

self-blame spread from being associated with the memory of the business failure to include other areas, such as her ability to function as a professional or as an employee.

No reentry. In contrast to the separation trajectory, the reinforcement trajectory shows the danger of an intense focus on internal attribution coupled with negative emotions. While the reinforcement trajectory appears to address the need to internalize some degree of blame following failure, it also demonstrates how negative emotions, coupled with internal attributions for failure, can lead to negative outcomes for the individual and for the possibility of reentry. First, while others were reentering entrepreneurship, Anne described herself as "debilitated and paralyzed" by the failure, viewing *herself as broken:* "I'm the business failure." Anne self-attributed the failure to such a degree that she viewed it as an "innate trait" (i.e., uncontrollable) that would continue to impact her life. This sentiment kept her from even considering reentry. Second, Anne experienced *emotional dysfunction,* as evidenced by her inability to regulate emotions during our encounters and her ongoing career difficulties (she remains unemployed). Indeed, beyond fully identifying with the failure, Anne identified with and embraced her negative emotions: "I'm an impossible case . . . a shame to others I've worked with and who've helped me."

Thus the reinforcement trajectory appears to result (similar to the separation trajectory) in very little learning from the failure. However, while those on the separation trajectory disassociated themselves from the failure, the individual on the reinforcement trajectory *became* the failure, making it unlikely that she would ever engage in a new entrepreneurial activity. Indeed, her enduring internal uncontrollable attributions destroyed her belief in her ability to perform entrepreneurial tasks and caused her to focus inward, dwelling on the negative and cultivating negative emotions. This resulted in a vicious cycle of negative emotions and internal attributions, which made it extremely difficult for her to regulate her emotions or to embark on new entrepreneurial ventures and set new entrepreneurial goals.

Metamorphosis Trajectory

We label the third trajectory *metamorphosis,* which was associated with individuals who shifted in both their emotional and their attributional responses to failure, facilitating reentry with a substantially modified venturing approach. Initially, these individuals expressed intense negative emotions, such as anger and sadness. They felt that others had caused the failure: it was simply beyond their control. However, over time (i.e., the interim period), these individuals came to see their own role in the failure, recognizing what they had done wrong (internal attribution) and that they could have controlled many of the outcomes had they acted differently. Similarly, negative emotions lessened in intensity and were expressed in terms of remorse over and disappointment with their behavior. The interplay of emotions and attributions during the interim period shaped their long-term emotions (mild negative emotions such as guilt and disappointment) and attributions (internal, controllable), which appeared to motivate changes that were implemented in reentry efforts.

Initial period. Those on the metamorphosis trajectory were eager to identify the causes of the failure and initially cited external factors as "the cause of so much trouble" (John), portraying themselves as the "victim of external circumstances" (Ronald). While focusing on external factors, those on the metamorphosis trajectory also described their failure experience as uncontrollable. For example, John explained how he was "burned" by a partner:

> It was a 70/30 relationship [where I carried 70% of the costs]. But . . . , f***, it didn't work . . . I wanted a friend, a comrade. That's how I wanted it to be—someone who did their part . . . if I'd had a better partner . . . [my business] would have turned out well . . . . F***ing excellent even.

Focusing on attributing the failure to his partner, John explained:

> He [my business partner] promised money, but nothing came. There were no contracts [with large corporations, as promised]. He was supposed to be responsible for closing deals, but I did 70% of sales. The straw that broke the camel's back was when, without my knowledge, he took on a private gig, paid under the table.

Similarly, Ronald explained how he was "coerced" into paying employees "under the table . . . something I needed to do to survive." He said that "the only ones willing to do the jobs required me to pay them under the table" and that the same applied to other partnerships in the industry:

> I tried to speak with my business partner to find a solution to the difficulties with making deals profitable, but he wasn't open to finding more efficient methods. I had no choice but to pay under the table.

Moreover, when Ronald got caught (and experienced legal troubles), his initial reaction was to assign the blame to others who had "forced his hand" to pay under the table. He said that his legal problems were a result of others' "disloyal behavior," as demonstrated by their "turning on" him.

Those on the metamorphosis trajectory described their initial emotional reaction to the failure as "extremely difficult," "heartbreaking," and "humiliating." Over the course of our early discussions with them, they felt intense negative emotions such as "loss," "anger," and "sadness" as they reflected on the failure. It was evident that the failure had "hit them hard" (field notes). In discussing the failure, they explained how hurtful it was to witness the negative repercussions for their families and others close to them. Their negative emotions were so intense that they isolated themselves, staying home to avoid having to interact with others, which deepened the "wound of the failure" inflicted on them and their families (Ronald). John explained: "It hit me hard losing the business in this way"; "it's like walking around as a personified failure"; "always being reminded that I was not as good [as an] entrepreneur as I thought . . . that really hurts." John described this experience as "one of the most difficult" times in his life. Similarly, Ronald explained that the loss was "humiliating" in that he let his "family, employees, and customers" down; "the worst was how my wife and children suffered." He explained that people had depended on him and he had failed to deliver; instead the family was caught in a situation where they had to sell possessions and property and were unable to pay their friends back for loans. While these individuals did experience negative emotions, they

also expressed a degree of relief. Ronald, for example, had been stressed about his "under the table" pay scheme. The failure was therefore a "reckoning" that allowed him to get out from that situation (field notes).

    Interim period. During the interim period, those on the metamorphosis trajectory began to reassess their attributions of failure. Gradually, John's and Ronald's perception shifted from attributing the failure to external sources to identifying areas where they could have acted differently to avoid failure. During the interim period, they explained how they had transitioned from "not wanting to be fooled by others . . . to seeing my role in this . . . and seeing that I *never* want to be in this situation again" (John). Ronald explained that "I should have known better than to pay under the table. While it seemed required—I wasn't the only one doing it . . . I just got caught—I now know I won't compromise myself and my employees in the future, as I have a choice!" He went on to explain: "I now say to everyone, 'Let's not be stupid, it's better to do things right and join our forces for good." Ronald even went so far as to explain that he wanted to try and change the entire industry so that illegal employment would no longer be the "norm." Similarly, John explained that while he initially blamed his partner, he now realized that he too was to blame: "I'm gullible. This I've learned through the process of failure. In the future, I'll listen more to my wife and be careful in trusting people." As evident in these comments by John and Ronald, those on the metamorphosis trajectory not only shifted their attribution toward themselves but also began to see how they could control their situation in the future. Having frequently observed how John managed the failure, we believe that the following statement by him captures the essence of how he attributed the failure:

> When you get into a new domain [i.e., industry], there are completely different ways of making calculations. I wasn't equally sharp with that [new domain]. . . . I've realized one thing: that you have to learn what you're good at and what you're not good at and stick to what you know and can do. . . . I have to be careful who I trust and not step outside my skillset.

Over time, John realized that he had made mistakes but also that he could learn from them (i.e., they were not permanent "components" of his self-definition) and focus on those aspects that he found most important in life. Ronald similarly stressed his role in the failure: "I understand that I have to do it differently now. How I ran the business before . . . that was a dead end. I see that now." Ronald went on to explain that while he initially saw paying employees under the table as "essential for survival, something I had to do," he later realized that he could have controlled his behavior and thus the outcome of his business. While he initially blamed his partner for not agreeing to find other ways to become efficient instead of paying under the table, in a later interview his reflection around that collaboration had shifted: "It was good to collaborate, but, as it turned out, I chose the wrong . . . partner!" He explained that in future ventures he would be more careful about how he collaborated and would not pay "under the table—that's one thing."

This altered attributional perspective appeared to influence the emotional response of those on the metamorphosis trajectory. While these individuals still experienced negative emotions, these were milder and were primarily manifested as guilt. This motivated action toward change. The change, in turn, was value-driven. Ronald's conviction to change the industry grew stronger over time (i.e., "cleansing" the industry of the entrenched belief that paying employees and subcontractors under the table is necessary in order to be competitive). John wanted any new business to allow for a work/life balance and meet high standards of business ethics. For John, "the hardest thing was that I didn't listen to my wife! She did warn me. If only I'd listened . . . So, as a result, I've learned: listen more to my wife and don't trust other people." This relationship led John to abandon his somewhat idealistic perspective on others' intentions and to see that he had to expend more energy on his family. Furthermore, it showed him how damaging his decision to neglect his family could be. This appeared to generate negative emotions that motivated him to change, as opposed to debilitating emotions

that caused self-loathing (i.e., reinforcement trajectory). Indeed, during the interim period John expressed hope for positive outcomes, including improved relationships within his family and a better work/life balance. He made sense of the failure as an opportunity to "hit reset" and "rediscover" what mattered most to him and his family (field notes).

Similarly, Ronald experienced negative emotions not in terms of his own "fall from grace" but, rather, in realizing how his decisions influenced other people. The negative emotions served to motivate him to be better. This was evident in his Facebook posts, which were now oriented toward helping local business associations, showcasing his renewed focus on his family (field notes). Ronald explained:

> The worst thing was how the family suffered. My wife was hit hardest by it . . . my kids had their mopeds taken . . . that was the worst, how badly the family suffered . . . The good thing to come from things going to hell was [rediscovering] home and family . . . I needed that. The kids needed that. I'd never been present in the family. My eldest was 17 years old [and] we'd never gone fishing, never had a relationship—I worked 24/7 . . . I'd gotten away from the important things in daily life . . . this experience of failure and bouncing back has reshaped me as a person—who I am.

In summary, those on the metamorphosis trajectory began to acknowledge the internal, controllable causes of the failure. This led to a refinement of attributions and to milder negative emotions, which in turn led to further evaluation of the failure. The result was a desire to learn from past mistakes and to proactively control situations in order to get better outcomes and avoid mistakes that hurt other people. Hence those on the metamorphosis trajectory experienced a virtuous cycle (in contrast to the vicious emotion-attribution cycle on the reinforcement trajectory), where a more "honest representation" (field notes) of self-attributed causes of the failure, together with milder negative emotions, shaped positive outcomes such as learning.

Long-term period. In the long-term period, those on the metamorphosis path demonstrated a complete shift in terms of attributions (from external/uncontrollable to internal/controllable) and emotions (from intense/negative to mild/negative). John explained that henceforth he would be careful not to make the same mistake again:

> The lesson learned, for starters, is that you shouldn't think you're something amazing! You should [be humble about your limitations] and passionately yet patiently be one with your work … I was naïve and let myself be fooled [i.e., mis-identified as "invincible"] by my business partners. I'll never let that happen again.

John went on to explain how he now realized that he was always going to make mistakes, and as a result should patiently and iteratively move forward in his entrepreneurial career. Similarly, Ronald said the factors that had caused his failure were in fact controllable— which could make him more effective in subsequent venturing efforts:

> I've become more reflective and therefore less prone to risks. Before, I thought that everything would naturally resolve itself, that I was untouchable, nothing would happen—everything would turn out fine. Naïve. My wife has said I've changed in personality and identity … what is an entrepreneur, really? It's a strange word … I don't use that title for myself [any more], I just go.

Both Ronald and John felt confident reentering entrepreneurship, yet did so with a "newfound humility and respect" for the risk of failure (John). Both continued to be influenced by mild negative emotions, such as guilt and regret over how the failure had impacted their "professional trajectory," "family life," and the "life and experience of my employees." In a late interview, John explained: "I should never, ever have gotten into it [the business] … I'll always remember the hurt … I screwed up, and I'm disappointed in myself for that." Self-attributed failure was not just a source of negative emotion but also a "call to action" (John) to help heal others who were hurt by the failure. It was obvious how Ronald had changed his life situation. He had become heavily involved in various associations and was contributing to the community, whereas previously his time and effort had been devoted entirely to the business. He expressed a desire to publicly share his experience so that others could learn from his mistakes. The other-orientation motivated individuals on the metamorphosis trajectory to recognize aspects of their "selves" that had been ignored as they pursued an entrepreneurial career, throwing them off-balance (field notes). It enabled them to develop novel aspects of themselves (e.g., shifting from a self-focus on profitable deals and earning money to sharing, contributing to the community, and doing the "right thing"). This contrasts with the separation

trajectory, where one's entrepreneurial identity was "untouchable" and needed to be protected despite the failure.

Reentry with substantial modifications. Similar to those on the separation trajectory, individuals on the metamorphosis trajectory overcame the difficulties of the failure in order to reenter entrepreneurship. However, they did so only after making substantial modifications. They reentered with value-driven organizations, influencing whom they employed, strategies for making money, and how they nurtured relationships with suppliers, customers, employees, and partners.

First, they emphasized the importance of "being more honest with myself" by taking a "clear-eyed" view of prior failures (field notes). This involved adopting a *broader attributional scope*, incorporating both internal and external attributions into the assessment of "what happened" and "what I should do about it." That is, a broader attributional scope refers to an openness to considering a number of different sources for the failure—the individual, the environment, or other features. This broad scope appeared to allow a "spreading of the blame" (field notes) as opposed to all or nothing thinking (e.g., "it is all my fault" or "it is all the fault of my suppliers!") (field notes). In our data, this broader attributional scope was described as "taking responsibility for what happened . . . so it never happens again" (John) while not personally "becoming the failure" (field notes). Such a perspective motivated learning and making substantial modifications when reentering entrepreneurship. For example, after their failures John and Ronald developed new business relationships and operating policies, such as building new networks (John, regionally and nationally; Ronald, within various business associations) as they recognized that their reliance on previous connections (some of whom ended up being unreliable) had led to many of their pitfalls. Thus, the fault was attributed as being due to the network members *and* the entrepreneurs.

John outlined specific decision-making heuristics about what business opportunities he should and should not pursue. He also began to think more strategically about his business expansion (field notes). Similarly, Ronald stated that he had changed his values and his beliefs about what "growing a company" implies, citing his previous misunderstanding of this concept as one of the reasons for his failure. In reentering (the same industry but with a new business model), Ronald now conceptualized a "growing company" as a firm that embraces values such as fairness, life balance, and family. Furthermore, he took a more collaborative approach in the aftermath of his failure, something he had "never done" in the past. John explained how accepting and understanding his failures paved the way for his new successes. He found new ways of working based on knowing what his strengths and weaknesses were (e.g., realizing that sales was his "thing," whereas it would be better to let someone else lead the staff). "I realized that it's not about grasping for more but about building a solid ground first and expanding slowly," said John. "If we collaborate more with others in the industry, the investment cost will not be as high as if we do everything by ourselves. . . . I've learned to work with others more and to work smarter." He also devoted time to offering advice by initiating mentorship relationships with other entrepreneurs.

Second, individuals on the metamorphosis trajectory achieved emotional balance. They continued to experience mild negative emotions, but, rather than embracing them (e.g., reinforcement trajectory), they drew upon them as a reminder of what could happen if they made critical mistakes (field notes). John and Ronald frequently harkened back to the "early days after the failure" when negative emotions were "intense" (field notes). However, they argued that, "while painful, [negative emotions] provided an important motivator" in the pursuit of new opportunities. Negative emotions reminded these individuals that they were in control: they could shape the future. This stands in sharp contrast to the other trajectories, where negative emotions were either eschewed (separation) or fully embraced (reinforcement). Those

on the metamorphosis trajectory were likely to move forward by reentering with modifications—largely resolving the tension between attributions and emotions.

Explaining Divergence: Why Substantially Modified Reentry Instead of Minor Modifications or No Reentry?

Our analysis shows that among the three trajectories (illustrated in Figure 2) the metamorphosis trajectory is of the greatest theoretical and practical interest. Individuals on that trajectory were able to resolve the fundamental emotional/attributional tension, reduce the negative emotions associated with the failure, and apply lessons toward effective reentry. In this section we draw upon the within-case analysis to compare and contrast the three trajectories in order to outline a theoretical explanation for why those on the metamorphosis trajectory were able to resolve the emotional/attributional tension while those on the other two were not.

External attributions and intense negative emotions triggering a re-evaluation of the causes of the failure. The intensity of negative emotions experienced by those on the metamorphosis trajectory apparently motivated them to ask, "Why did things turn out this way?" (John). In contrast to those on the separation trajectory, where a lack of emotional intensity led to complacency and acceptance that "none of this was my fault" (Urban), the negative emotions provided fuel to "discover and uncover what went on here" and ask, "How can I make sure this never happens again?" (Ronald). Similarly, the external attribution associated with negative emotions apparently motivated those on the metamorphosis trajectory to work through the causes of the failure. This stands in contrast with the reinforcement trajectory, where the self-attribution/negative emotion combination was debilitating. Therefore it appears that the emotional intensity (primarily anger) toward outside sources served to facilitate a "true" evaluation of the failure. This contrasts with the separation and reinforcement trajectories, where once the entrepreneur had created a story for what had caused the failure, there was no interest in revisiting the subject to reevaluate the narrative.

Progressive re-evaluation from source to controllability of failure. Those on the metamorphosis trajectory were unique in their willingness to reevaluate their original assessment of the failure, in terms of both its *source* (internal/external) and its *controllability.* It appears that a willingness to challenge the source of the failure led to a shift in whether it was seen as controllable. Those on the separation trajectory removed themselves from the failure, viewing it as an "external fluke," whereas the individual on the reinforcement trajectory felt she was solely (and personally) responsible. These attributions persisted over time. Those on the metamorphosis trajectory, however, did reassess their role in the failure after initially blaming it on external sources. They described this attributional transition as an "awakening" that was "disappointing, as I realized the role I played," but also "motivating" and "energizing," as it implied that they could do something about it (Ronald). Thus self-attribution was liberating and created an openness to learning and positive change (something not seen on the other paths). Those on the separation and reinforcement trajectories explained that things were "simply out of my control" and that they had to live with the outcome presented to them. Those on the metamorphosis trajectory, in contrast, were able to identify mistakes *and* recognize an opportunity to take control in future activities. For example, John had been "burned" in his relationship with a business partner. While initially he blamed his failure on this partner, he later realized that he should have known better and resolved to try to control such situations in the future. Similarly, Ronald came to see that he was at fault for the illegal activities that led to the failure. Over time, he realized that he had to find other, legal, ways to survive by developing a capacity for teamwork and collaboration. Thus a sense of internal accountability and controllability were essential factors in explaining how individuals could *apply lessons* from a failure experience in reentry.

Revised attributions and entrepreneurial identity. Those on the metamorphosis trajectory underwent a fundamental transformation in their personal identity as an entrepreneur,

from "invincible entrepreneur" to something of a community builder, helping others to avoid their fate and learn from their mistakes. This shift in identity appeared to allow for the *co-existence* of internal attributions of failure and positive emotions—that is, rather than needing to "have all the answers" as an "expert entrepreneur" (Ronald), both John and Ronald saw the value of humility as an opportunity for continuous improvement. Ronald explained that recognizing his role in the failure led to a fundamental "de-romanticizing" of his chosen career. This was an essential step in moving away from a "naïve, invincible" entrepreneurial identity to a more thoughtful, purposeful, and interdependent identity. This appeared to facilitate an ability to take personal responsibility for errors while transitioning to more positive emotions, which resulted in more "responsible and mature" actions during reentry efforts (John). This stands in stark contrast to the separation trajectory (e.g., maintained "invincible entrepreneur" identity and repeated mistakes in new venture) and the reinforcement trajectory (e.g., lost entrepreneur identity altogether and did not reenter).

Long-term guilt serving to cultivate efforts to heal those who had been hurt. Finally, those on the metamorphosis trajectory were adept at *recognizing the broad impact of failure (on family members, community members, etc.), which led to the cultivation of a non-entrepreneurship identity and values as well as efforts to help and/or heal those who had been hurt.* For example, those on the metamorphosis trajectory recognized that the failure "wasn't all about me" (John). This realization helped them to develop empathy, to see that their actions had hurt family members and friends. Recognizing the broader array of actors impacted by their venturing activities led to a more balanced and responsible approach to venturing (field notes). As Ronald and John took steps toward reentry, they frequently referenced a desire to be "more mindful" of those around them, as they felt "guilt for how my failure has hurt my family . . . such as losing property [e.g., mopeds]" (Ronald). The failure drove Ronald to "focus on other aspects of my identity and sense of self," as everything "isn't just about me." This led to positive

outcomes for his prospects and his perspective on the failure, as well as his family life. Similarly, John's ability to see the broader implications of the failure (i.e., beyond professional outcomes) appeared to enhance his ability to experience both internal attributions and positive emotions.

DISCUSSION

We began this study with a general question about how failing entrepreneurs relate to and cope with failure over time. However, as our inductive study progressed, we identified profound differences in how individuals were emotionally impacted by the failure and how they ascribed blame. These differences appeared to influence potential reentry efforts. As the study unfolded we noticed how our real-time longitudinal data had the potential to tap into the black boxed processes between failure and reentry. The findings, as represented in our model and in our theorizing, suggest that the interplay of emotional (Patzelt & Shepherd, 2011; Shepherd, 2003) and attributional (Mantere et al., 2013; Maslach, 2016) responses to failure can explain post-failure reentry trajectories. Our primary finding and contribution is a pathway, which we call a metamorphosis trajectory, by which interactions about failure attribution and emotion led to *effective entrepreneurial reentry* in the aftermath of a failure. That is, those on the metamorphosis trajectory were more likely to make meaningful modifications to a new business based on learnings from the previous failure, which in turn increased the financial sustainability of new ventures. On this trajectory we found that, contrary to the literature, in the aftermath of a failure event one's negative emotions were not necessarily an obstacle to recovery and reentry; rather, coupled with shifting attributions, they led to learnings and modifications that drove improved performance upon reentry. This finding offers promise for how to resolve the attribution-emotion tension that can hinder reentry effectiveness—as we found in the reinforcement and separation trajectories in our grounded model. While not capturing all of the complexity involved in post-failure venturing, these findings offer a number of useful insights

for future research work examining dynamic and complex trajectories of reentry after failure. In the sections that follow, we elaborate on our findings by delving into three dimensions.

Problematizing Current Understandings of Reentry

Negative emotions do not necessarily impede effective reentry when coupled with generative shifts in attributions. The first dimension of model and contribution concerns the role and impact of negative emotions relating to reentry. While negative emotions certainly can have a positive effect on post-failure actions (i.e., motivating one to ask, "What went wrong here?" [McGrath, 1999; Shepherd, 2003]), the consensus is that they disrupt post-failure progress (Cope, 2011; Ucbasaran et al., 2013). We found that negative emotions may in fact be helpful for reentry if they cause the individual to ultimately see that he or she missed an opportunity to do more to avoid the failure. This finding builds on research showing how negative emotions can motivate learning in that individuals recognize that "something went wrong here" (McGrath, 1999; Shepherd et al., 2016). However, our work goes a step further by suggesting that negative emotions, coupled with shifting attributions, can lead to more effective reentry by encouraging re-entry with substantial modifications. Our results indicate that, under such conditions, negative emotions may contribute to changes in frame of reference, values, and assumptions, which are helpful in post-failure venturing initiatives. Those individuals who were on the metamorphosis trajectory were able to identify business opportunities that remain successful (as of this writing), whereas those on the separation trajectory have all since failed in their new endeavors.

Extant theory emphasizes the importance of neutralizing negative emotions following a failure event, which is successful when one's thoughts about the event "no longer generate a negative emotional response" (Shepherd, 2003: 321). By problematizing the typical picture of negative emotions as something destructive to recovery, this study addresses research that calls for a "balanced approach" to attenuating negative emotions (e.g., Shepherd et al., 2014). Our

findings offer insights into what is theorized to be the most valuable outcome of failure for the entrepreneur and for society: key lessons that can be applied in reentry (Shepherd, 2003; Shepherd et al., 2016). By clarifying the potentially positive role of negative emotions in shaping reentry outcomes, we advance the scholarship on responding to failure, managing adverse emotional reactions, and reentry.

Furthermore, we know from the literature that emotions differ in valence (negative or positive) and intensity (Bruehlman-Senecal & Ayduk, 2015; Nolen-Hoeksema, 1991; Nolen-Hoeksema, Parker, & Larson, 1994). Our data reveal that while all individuals experienced some negative emotions, differences in valence and intensity shaped post-failure reentry processes. For example, the individual on the reinforcement trajectory experienced intense negative emotions that, coupled with internal attributions that never changed, were debilitating and did not provide a pathway to a generative post-failure reentry. For those on the separation trajectory, the negative emotional experience was milder due to a lost opportunity to work on a project (consistent with Shepherd et al., 2014), which then evolved into a separation of the self from the failure. As a result of disassociation with the failure and emotional indifference, there was little motivation for change. For those on the metamorphosis trajectory, negative emotions persisted over time but gradually decreased in intensity. These negative emotions were instrumental in transforming attributional/emotional interplay, eventually resulting in a substantially changed venturing approach. Taken together, these findings contribute to our understanding of the function of negative emotions in shaping post-failure reentry. We believe that future scholarship exploring generative or resilient behaviors following challenges (e.g., Maitlis, 2012; Westphal & Bonanno, 2007; Williams, Gruber, Sutcliffe, Shepherd, & Zhao, 2017) should consider a more balanced view of negative emotions. Indeed, current scholarship tends to exclusively encourage the removal or avoidance of negative emotions to facilitate a return to functioning in the most rapid way possible (cf., Shepherd et al., 2014).

Perceived controllability when attributing blame impacts emotion/attribution interplay and reentry. The second dimension of model's primary contribution relates to the role and impact of controllability, as the perceived controllability of failure appears to be an influential factor in changes to attributional and emotional responses to failure. Our findings build on and extend traditional theories on entrepreneurs' failure attributions (Cardon & McGrath, 1999; Shepherd & Haynie, 2011; Ucbasaran, Wright, Westhead, & Busenitz, 2003)––that is, in addition to capturing whether entrepreneurs attribute failure to internal and/or external causes, our extended framework includes whether and the extent to which the causes are controllable. The controllability dimension contributes particular insights into post-failure actions through its interaction with the locus of causality dimension (i.e., those perceiving the causes of failure as controllable may be more likely to attribute their failure to both external and internal causes) and its interplay with the enduring negative emotions tied to the failure (i.e., a high degree of perceived controllability may make them more likely, when venturing again, to harness the benefits from the intense negative emotions tied to failure). Therefore, while entrepreneurship research has explored how external or internal attributions of failure shape key outcomes (e.g., Yamakawa et al., 2015; Zacharakis et al., 1999), our results show that controllability is a dimension capable of not only explaining *whether* individuals start a new venture after failure (Mandl et al., 2016) but also *how* such reentry is enacted.

Perceived controllability appeared to have a significant impact on individuals' tendency to attribute blame across a broad scope. This interacted with emotional responses to reduce negative emotions while not eliminating them—potentially opening up opportunities for reflection on what went wrong and how one's life trajectory needs adjusting. Furthermore, those on the metamorphosis trajectory also achieved positive adjustment in their reentry efforts— enabling their lessons from failure to be applied in the reentry. For example, all of these individuals embarked on new ventures that continue to this day, and they largely credit their

success to the lessons learned during the post-failure process when they were re-evaluating the cause of the failure and refining attributions (field notes). Thus our findings extend not only the entrepreneurship literature related to reentry but also the resilience literature focused on positive adjustment following challenging events (see Williams et al., 2017 for review). In contrast, those who view the cause of failure as beyond their control may struggle with emotional dysfunction and a broken self—the sense that one cannot control life's outcomes—and thus be reluctant to reenter. Alternatively, separation—limited motivation to make changes—results in a learning tradeoff when it comes to making modifications in terms of post-failure ventures.

Finally, our findings build on the relatively small body of scholarship studying multiple dimensions of attributions relating to reentry (e.g., Mandl et al., 2016; Yamakawa & Cardon, 2015). It showcases the importance of controllability as a facilitating factor in the virtuous attribution/emotion cycle for the metamorphosis trajectory. Also, our data show that the absence of controllability resulted in either a vicious attribution/emotion cycle (reinforcement trajectory) or general indifference toward the failure (separation trajectory). This points to the importance of isolating the controllability dimension when studying attribution-reentry relationships (rather than subsuming it into other attributional components), while demonstrating that it is the interplay of attributions and emotions that reveals when controllability facilitates better application of learnings (via modifications) that support the financial performance of reentry efforts (building on Mandl et al., 2016).

Attributional/emotional responses evolve over time and can lead to effective reentry. The third dimension of our model and contribution emphasizes the importance of assessing attributions and emotions *over time,* given possible shifts in the interplay between attributions and emotions. In Table 4 we summarize the shifts in attributional-emotional responses (outlined above in our Findings section). Indeed, this finding demonstrates that had we concluded our analysis at earlier stages of post-failure, it would have given us an incomplete perspective on

responses to failure and how they shaped reentry. Similarly, in Table 4 we show how attributions and emotions were captured long after the failure. Again, had this been our only data point (i.e., had we not included the early and interim periods), it would have resulted in an incomplete picture of the different responses. By highlighting the changes in failure responses *over time*, we potentially problematize other findings that rely on just a single reference point when assessing the relationship between failure response and reentry.

Scholarly interest in negative emotions and business failure has generally focused on the episodic or temporal duration of these emotions (for a review, see Ucbasaran et al., 2013). This approach is surprising given the likely impact of negative emotions on long-term recovery, learning application, and effectiveness of subsequent venturing efforts. Our study explores the longer-term impact of negative emotions on responses to failure, filling a gap in the literature, as it relates to how the evolution (or lack thereof) of emotional valence and intensity shapes reentry. Our findings demonstrate that a consistent absence of negative/intense emotions reduced the effectiveness of reentry—revealing a potential tradeoff associated with "getting rid of" negative emotions. Similarly, we found that successful transition from intense to mild negative emotions (metamorphosis trajectory) was beneficial over time and resulted in individuals making substantial changes when they reentered entrepreneurship. Thus our findings suggest that enduring negative emotions may be less of a hindrance for reentry than indicated in the literature.

Finally, many scholars have suggested that individuals' failure attributions may change over time and become more internal (Shepherd et al., 2014). In our multi-year study, only those on the metamorphosis trajectory changed their failure attributions, and this change resulted from the interplay between emotions and attributions. This finding offers promise for future empirical studies to better understand reentry by exploring the interplay of attributions/emotions in combination with other prominent management topics, including

identity (entrepreneurial, multiplex identities, etc.) (Fauchart & Gruber, 2011; Pratt, Fiol, O'Connor, & Panico, 2012; Shepherd & Williams, 2018), prosocial motivation (Brief & Motowidlo, 1986; Grant, 2008), and the value of compassion and other-orientated organizing despite one's own resource constraints (e.g., Williams & Shepherd, 2016a, 2016b, 2018).

Limitations and Future Research: Building on Our Grounded Model

Although the findings from our research yield insights into a phenomenon that has remained largely unexplored through scholarly fieldwork—failed entrepreneurs' journey from failure to reentry (or lack thereof)—there are inherent limitations that could be addressed in future research. There are limitations in terms of generalizability given our inductive methodological design and our focus on the complexity of how individuals experience and move forward from failure. However, this is to be expected considering that we designed our study to achieve particular objectives. Despite this limitation, we see a number of inroads made by our findings that are relevant to both entrepreneurship and management scholarship in the broader Academy of Management.

First, while our study focused on reentry in an entrepreneurship context, other scholarship also seeks to explain how individuals respond to setbacks and challenges in productive ways (e.g., Williams et al., 2017). Recent global economic challenges have resulted in a quest to better understand how individuals respond to career and job loss in generative ways (Dhiraj, 2017; Wittman, 2018), demonstrating that this is a process fraught with difficulty (Shepherd & Williams, 2018). We anticipate that future research will build upon our inductive model to explore how individuals respond to job or career loss, comparing and contrasting the results with our findings. Such comparisons will make a valuable contribution to the literature on entrepreneurial failure and on career transition and loss.

Second, we anticipate that future research will build on our grounded model by examining additional differences, beyond emotions and attributions, to include gender,

industry, cultural norms, and other factors using a broader set of empirical data. This could help identify additional nuances that explain whether and how individuals are able to alter their attributions in a constructive way following a failure event. Broadly speaking, this could have implications for scholarship on mitigating the negative aspects of professional setbacks (Todt, Weiss, & Hoegl, 2018), applying lessons from corporate R&D projects that fail or do not live up to expectations (Shepherd et al., 2014) and overcoming the personal challenges (identity, stigma, etc.) associated with general failure in organizational contexts (Bledow, Carette, Kühnel, & Bister, 2017; Carmeli & Dothan, 2017).

Third, our study emphasized individuals' attributions of failure (as this was the focus that emerged from the data), rather than identifying and comparing the *actual, objective* cause of failure. While we did make inferences when comparing statements of success with actual outcomes (the perceptions of blame [external] of the individuals on the separation trajectory often differed from reality), our focus was the attributional/emotional interplay and subsequent venturing decisions. Therefore we anticipate that future research will focus on the specific causes of failure and determine whether and how these shape both responses to failure (as discussed herein) and post-failure reentry. This logic could be applied to a number of failure outcomes beyond entrepreneurship (e.g., career, project).

Fourth, we have assessed emotional valence and intensity as expressed by the individuals and as found through observation. While our study was carried out over a long period using a number of unobtrusive observational techniques, we did not conduct a clinical analysis of depression or any other psychological condition (being unqualified to do so). As a result, while we were able to identify different emotions (e.g., positive/negative) and their intensity, a more nuanced view might be gained through the use of more precise psychological instruments. We acknowledge that negative emotion can be so intense as to require clinical intervention. The literature suggests that the loss of a career, a high-profile professional role,

an entrepreneurial venture, and/or a highly valued professional identity can be extremely distressing (Shepherd & Williams, 2018). Therefore we recommend that future research examine more extreme and prolonged cases of negative emotion related to failure (business and other) as specifically diagnosed using clinical psychological instruments.

Finally, among the various response trajectories that emerged from our data, we observed that the metamorphosis trajectory holds the greatest promise, as it directly addresses attribution-emotion tension and appears to be the most generative for promoting learning-driven modifications during reentry despite enduring negative emotions. A key to understanding this trajectory, as touched upon here, is that it is the only profile among the three that considers the cause of failure to be *controllable*. Individuals who feel in control can use their enduring negative emotions to reflect upon and change their frame of reference, values, and assumptions, which can prepare them for new activities. Future research might explore how to promote a sense of control that could facilitate change after a failure event. It could examine whether certain management configurations enable a sense of control, or whether contextual factors (e.g., industry, country, community) shape one's sense of control in terms of making post-failure changes.

CONCLUSION

This multi-year inductive study explored the different ways in which individuals respond to failure and how differences in attributional/emotional interplay influence reentry processes and outcomes. We have identified three trajectories that demonstrate reentry processes following a business failure: separation (reentry with minimal modifications), reinforcement (no reentry), and metamorphosis (reentry with substantial modifications). Finally, we argue that the findings presented here offer opportunities for further research that might better explain whether and how individuals effectively reenter entrepreneurship following a business failure.

TABLE 1
Description of Entrepreneurs and Data Sources

Entrepreneurs	Industry	Founded/ failed	Failure description: Activities leading up to bankruptcy	Evolving status following failure	Primary data			Secondary data
					Interviews* (number)	Observation (hours)— captured in 3 notebooks of field diaries	Email, Facebook, phone, and Skype discussions	News articles/ business documents (number of pages)
Tom	Boat industry; promotional industry	2003/ 2014	Closed due to heavy losses and accumulated debts.	Reentered 9 months after failure with minimal modifications.	15	~30	• Facebook contact (dozens of exchanges with each entrepreneur) • Email exchanges and follow-up questions, validation of emerging models/themes, and quick "status checks" (dozens of exchanges) • Phone and Skype follow-up conversations	14/127
Ronald	Transportation/ trucking	2005/ 2014	Was reported to the tax authorities for not paying taxes; ended up with heavy debts and financial losses.	Reentered 7 months after failure with substantial modifications.	7	~30		4/67
John	Marketing and promotions	2005/ 2014	After expanding into new business areas, the financial losses became unbearable and caused bankruptcy.	Entered wage employment immediately after failure; reentered 6 months after failure with substantial modifications.	9	~20		4/84
Anne	Boat covers and repair	2012/ 2014	Extensive financial losses and poor physical health paved the way to bankruptcy.	No reentry.	7	~13		7/20
Urban	Sales, equestrian	2007/ 2014	From the outset, an emphasis on unfettered growth resulted in indebtedness, financial loss, and ultimately bankruptcy.	Reentered 3 months after failure with minimal modifications.	8	~30		3/70
Per	Wood manufacturer	1932/ 2014	Efforts to expand a family business resulted in substantial operational and financial challenges, including lack of funding and decreased revenues; this resulted in bankruptcy.	Entered wage employment immediately after failure; reentered 5 months after failure with minimal modifications.	7	~18		13/180
Ken	Retail (clothing) and sales	1989/ 2014	Challenges with the landlord and inadequate revenue led to financial challenges and expensive contract disputes.	Entered wage employment 5 months after failure; reentered 8 months after failure with minimal modifications.	15	~20		5/300

* Interviews include both formal, recorded interviews lasting 60–140 minutes (20 total) and informal follow-up interviews. Data from informal interviews were immediately documented in field notes to ensure that we captured insights from each interview.

TABLE 2
Development of Coding Categories: Stepwise Framework Evolution

Step	Organizing categories	Overarching dimensions/trajectories	Focus of explanation
Step 1	Initial motivation to reemerge/changes in cognitions/changes in behavior/regained motivation/predictions about emotional reactions to future entrepreneurial events/positive emotions/negative emotions/emotional valence in forecasts	Fulfillment of need for competence after failure/affective bias in forecasts about future reemergence	Entrepreneurs' post-failure learning, recovery, and reemergence forecasts
Step 2	Entrepreneurial self-efficacy reflections/changes in cognition/changes in behavior/predictions about emotional reactions to future entrepreneurial events	Emotions/self-efficacy/learning/recovery	The difference between recovery and moving on from failure/the role of harmed self-efficacy on learning
Step 3	Affective forecasting/self-efficacy/self-regulation/failure attribution/moving on after failure	Four post-failure profiles based on various configurations of the organizing categories	How entrepreneurs' post-failure emotional reactions and learning outcomes influence the path forward
Step 4	Perceived costs/failure attribution/negative emotions/learning/subsequent actions	Failure response configurations: "cognitive deconstruction"/"resilience"/"adaptation"/"growth and improvement"	How pathways and mechanisms of failure sensemaking and learning shape subsequent actions
Step 5	Failure attributions (causality, controllability)/enduring emotions/learning/subsequent actions	Core mechanisms: hopelessness/complacency/reflexivity	How the complexity surrounding failure attributions shape entrepreneurs' approaches to post-failure ventures
Step 6	Failure attributions (causality, controllability)/initial emotions/long-term emotions/reentry form	Reentry trajectories: cogitation/hubris/hopelessness	How attributions and emotions tied to the failure can evolve over time and how these shifts (or lack thereof) together explain how individuals engage in entrepreneurial reentry after the failure
Step 7 (final framework)	Initial and long-term failure attributions (causality, controllability) and emotions (valence, intensity); reentry	Three types of interplay between attributions and emotions: separation, reinforcement, and metamorphosis	Uncovering a previously ignored interplay between attributions and emotions in shaping post-failure reentry

TABLE 3
Organizing Categories in Final Framework

Data illustrations	Preliminary organizing categories	Final categories	Final category definitions
• Views failure as caused by the market, competitors, misfortunes, others in the business, and so on • Perception that there was nothing wrong with one's methods of running the business	Failure attribution	External uncontrollable attributions	Attributing the failure to external causes that the individual perceived he/she could not control
• Blaming oneself for not having the competence, skill, or strengths to be an entrepreneur • Negativity toward oneself, such as feeling "stupid" and "not meant to be an entrepreneur"		Internal uncontrollable attributions	Attributing the failure to internal causes that the individual perceived he/she could not control
• Perception that one made mistakes (operational, strategic, interpersonal, etc.) in running the business • Concluding that failure was exacerbated by one's mindset and behavior, such as being gullible, naïve, and/or believing oneself to be invincible		Internal controllable attributions	Attributing the failure to internal causes that the individual perceived he/she could control
Positive emotional accounts related to: • accomplishments prior to the bankruptcy • the human capital they built through the failed business, which could serve them in moving forward • how the failure freed up time for exploring new business opportunities	Enduring emotions	Positive valence emotions tied to failure	Displaying or expressing emotions (to varying degrees and types) associated with positive valence
		Emotion intensity (mild/intense) and type (happiness, contentment, hopefulness)	
Negative emotional accounts related to: • feelings of pain, regret, and resentment • acting out • feeling uneasy • becoming emotional when discussing the failure		Negative valence emotions tied to failure	Displaying or expressing emotions (to varying degrees and types) associated with negative valence
		Emotion intensity (mild/intense) and type (anger, shame, sadness, frustration, guilt)	
• No thoughts about, or steps taken to, reenter	Moving on after failure/subsequent action/reentry	No reentry	No new business
New business entered with: • no change in how to handle risk, prioritize actions, and delegate • no change in thoughts about oneself as an entrepreneur, one's role within the business, and evaluation of opportunities • no plan or articulation for how to avoid subsequent failure		Reentry with minimal modifications	New business run with a similar mindset and logic as used for the failed one, whether in the same industry or a different one
New business entered with: • changes in business strategy, prioritizations, and goals • greater risk awareness and avoidance • greater awareness of personal strengths and weaknesses • greater concern about significant others		Reentry with substantial modifications	New business run with an adjusted mindset and logic compared to the failed one

TABLE 4
Core Differences Between Trajectory Configurations of Reentry

	Separation trajectory: reentry with minimal modifications	Reinforcement trajectory: no reentry	Metamorphosis trajectory: reentry with substantial modifications
Attributional/emotional interplay	Belief in external, uncontrollable causes, reducing the intensity of negative emotions, which in turn reinforces attributions	Sense of uncontrollable/internal failure intensifies negative emotions, which in turn reinforces attributions	Perspective shifted such that attributions became internal and controllable, resulting in milder negative emotions that further enhanced the new perspective of controllability
Initial emotions tied to failure	Mild intense negative emotions, including disappointment and annoyance	Intense negative emotions, including grief, sadness, and loss	Intense negative emotions, including anger, sadness, shame, guilt, and embarrassment
Examples	"I'm not devastated about the failure, but it's a shame that I no longer can develop my plans for it fully." "It felt a bit horrible at first, to realize that we had gone into bankruptcy and that the business would exist no more, but [this dissipated very quickly] with all the encouraging comments from everyone and the fact that we just knew that we had done it all the right way."	"There's nothing left. It's awful . . . I scream and cry very day . . . I'm absolutely miserable . . . " "It's like a nightmare I relive every day . . . it's so painful."	"It's difficult! And it's always at the top of my mind . . . [I] stay up all night thinking [about the failure and what could have been]." "The failure was challenging and tough. I mean, really tough." "It's like I'm a failure."
Initial attribution tendency	Emphasis on external sources of failure (the industry, other actors) and therefore a lack of control over failure causes	Near exclusive emphasis on internal failures and one's lack of control over them	External attribution of the failure, primarily focused on lack of controllability
Examples	"The weather this winter was a disaster for us; it made it impossible." "But I didn't do anything wrong; the market just died, and there was nothing I could have done about that." "They [the construction company] made our shop look like a construction site. [As a result,] the customers just did not come."	" I just didn't have the strength to be an entrepreneur." "I'm not a salesperson—it's just not my skill set. I know that now . . . " "Why did I fail? Well, it's just me—who I am. [I'm] too caring . . . I felt sorry for the customers who had to pay more than they might afford. These qualities do not serve me well as an entrepreneur."	"They [a disloyal employee and competitors] agreed on a plan for how to get me out of business. They reported me to the tax authorities." "It turned out that he [my business partner] had no money. I was surprised to find out that all his bank accounts had a deficit. He had built castles in the air."

	Separation trajectory: **reentry with minimal modifications**	**Reinforcement trajectory:** **no reentry**	**Metamorphosis trajectory:** **reentry with substantial modifications**
Long-term emotions tied to failure	Demonstrating a changed emotional state, no longer feeling upset, annoyed, or frustrated by the failure event	Demonstrating an unchanged (i.e., stable) emotional state of intense negative emotions	Demonstrating a changed emotional state, with mild negative emotions tied to the failure event, including guilt and disappointment
Examples	"How do I feel emotionally? Well, I don't really think about it much, but . . . focus more on opportunities to come." "I'm moving on, looking back at the bright memories—the failure was not all bad. Sure, the business died, but we did a lot of things well—I feel good about that!"	"It was really hard for me . . . everything that I had built. It was gone. I liked it, it meant something to me—everything, really. I had planned to keep it for a long time. I'm shattered." "I've had a hard time accepting what happened." "I see nothing for the future . . . life is nearly meaningless and I'm experiencing physical pain from this."	"It's a personal failure . . . but that means I can do something about it—which I am! While it hurts, it reminds me what not to do." "Someone should have told me that it would have been easier to die in a car accident [than to fail the way I did]."
Long-term attribution tendency	Unchanged attribution, oriented around external, uncontrollable causes	Unchanged attribution, oriented around internal, uncontrollable causes	Attribution shifted from external to internal oriented, and also shifted from uncontrollable to controllable
Examples	"Everything happened at the same time: we had the wrong agent, the wrong weather, new regulation." "It wasn't my fault. It was because the market just died." "We had all these plans, but not enough time to realize them . . . "	"I was too slow. I don't react as swiftly as required for an entrepreneur." "I was stupid . . . " "I didn't know what being a creditor implied. I was a fool."	"OK, they [my competitors] turned me in, but it was my fault to begin with. I should have done it differently from the beginning." "I was naïve and let myself become fooled by collaborators; I'll never allow that to happen again."

FIGURE 1
General Model of Post-Failure Reentry

Business failure

Attributional/emotional interplay

Initial general attribution tendency and emotions

General attribution tendency
- Locus of causality: stable or changing
- Controllability perceptions: stable or changing

Emotions tied to failure
- Emotional valence: stable or changing
- Emotional intensity: stable or changing

Long-term general attribution tendency and emotions

Reentry

FIGURE 2
Grounded Model of Post-Failure Reentry Trajectories

Initial general attribution tendency and emotions	Attributional/emotional interplay	Long-term general attribution tendency and emotions	
External uncontrollable causes / Mild negative emotions such as annoyance and disappointment	Accept external cause: External uncontrollable causes / No negative emotions (Separating failure from self)	External uncontrollable causes / No negative emotions	**Separation trajectory** Reentry with minimal modifications
Internal uncontrollable causes / Intense negative emotions such as grief, sadness, and loss	Immutable self-induced failure: Internal uncontrollable causes / Intense negative emotions remain (Intensifies self-focus)	Internal uncontrollable causes / Intense negative emotions, such as grief, sadness, and loss	**Reinforcement trajectory** No reentry and general dysfunction
External and uncontrollable causes / Intense negative emotions such as anger and sadness	Re-evaluating cause: External / Internal controllable causes / Negative emotions remain, but milder (Refining attributions)	Internal controllable causes / Mild negative emotions, such as guilt, and disappointment	**Metamorphosis trajectory** Reentry with substantial modifications

Business Failure

Transforms into — Separates emotions and attributions — Disassociation with failure / Emotional indifference

Remains the same — Remains the same — Broken self / Emotional dysfunction

Transforms into — Transforms into — Broader attributional scope / Emotional balance

Timeline

Stage 1: Initial period after failure (0-5 months)	Stage 2: Interim period after failure (6-17 months)	Stage 3: Long-term period after failure (18-27 months)	Reentry

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