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Entrepreneurial Failure:
Causes, Consequences and Implications in Re-Entry

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Dedicatory

To my mother and father

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Abstract

Entrepreneurship is crucial for the economy and society, but one of its main characteristics is the assumption of risk, and as such, the probability of failure exists and is high. Hence the relevance of studying it. This thesis comprises five essays, a systematic literature review (essay 1) and four empirical essays that attempt to investigate the failure phenomenon, analysing aspects such as causes, consequences and re-entry (essay 2), learning (essay 3), fear (essay 4) with a specific focus on micro-enterprises and the impact of emotions - fear and wellbeing – in risk perception and risk taking and in the way entrepreneurs assess the success of their businesses. It aims to gain a deeper understanding of the entrepreneurial failure (EF) phenomenon.

The first essay, presented in chapter 2, aimed to systematize the knowledge already developed about EF, identify gaps, and propose lines of future research. Through a systematic review of the literature on entrepreneurial failure, it was possible to identify essential themes such as causes, learning, fear, and how they impact re-entry. Understanding re-entry by discovering the antecedents, mechanisms, and triggers that lead entrepreneurs to start again helps advance knowledge in an area of entrepreneurship literature that has been neglected.

Chapter 3 presents the second essay that focuses on understanding the causes and consequences of entrepreneurial failure in Portuguese micro-enterprises from the perspective of the entrepreneurs who failed and their families. Micro-enterprises were chosen for the study because they are very numerous and face a high probability of failure due to their characteristics, yet are still understudied, particularly in Portugal. Through interviews with 16 entrepreneurs, some family members, and a solicitor, this study highlighted how high tax burdens and deficient legal systems limit the success of these companies. We found that the financial consequences of failure have a significant impact on the emotional consequences and recovery of the entrepreneur, with the family playing a significant role in the recovery process and the possibility of re-entry. The conclusions also identify how entrepreneurs generate an impact that can be decisive for both the causes and consequences of EF.

The third study, in chapter 4, focuses on learning as being inseparable from entrepreneurship and failure. This study sought to understand how learning occurs, i.e., whether entrepreneurs learn over time, what they learn, and their awareness of this process. Methodologically, a multiple case study was used, interviewing 16 entrepreneurs who experienced the failure of their companies. The study concludes

that entrepreneurs learn throughout the company's life and during and after failure. Interestingly, there were different types of learning, with different contents and intensities, depending on the phase of the process in which they were. The relationship between learning and the emotions generated by failure was also identified. It was found that entrepreneurs are not aware of their own lack of knowledge, especially during the phase when the company is operating well, and this can limit learning, which is reflected in a higher probability of failure.

Chapter 5 presents the fourth essay, which focuses on another inseparable aspect of entrepreneurship: fear. Due to their small size and strong connection to the entrepreneur, micro-enterprises have high failure rates, which induce fear in the entrepreneurs and their families. This study aimed to understand the dynamics of this fear. Through a multiple case study, 14 entrepreneurs and families whose companies had failed were interviewed. It was found that fear may not be present when the company is formed, at which time enthusiasm predominates, as it allows for the creation of the company, whereas when fear is present, the business does not move forward. However, once the company starts operating, a latent fear is described as positive and motivating. When the possibility of failure arises, this fear increases, becomes explicit, and has negative consequences. Some entrepreneurs do not easily accept that they feel fear, although they have felt it. And it is at this stage that families also begin to feel fear and, therefore, influence the entrepreneur to avoid such a painful situation again. Failure causes pain, pain causes fear, and fear intensifies the pain.

Throughout this work, a highly relevant aspect of entrepreneurship stood out: the enormous importance of emotions, as they strongly influence decisions. Therefore, in the fifth and final study, we quantitatively studied how fear and wellbeing of entrepreneurs influence their risk evaluation and risk attitude and how these variables impact the success that entrepreneurs consider their companies to have. The results showed that fear influences risk perception, while wellbeing influences risk-taking, and both significantly impact the evaluation entrepreneurs make of the probability of their businesses failing. Fear leads to more negative evaluations of the likelihood of failure, while wellbeing has the opposite effect, with higher levels of wellbeing resulting in better evaluations of the businesses. There is no impact of fear on risk-taking or wellbeing on the perception of risk, and risk attitudes have no impact on the evaluation entrepreneurs make of the probability of their businesses failing. This study has also revealed that the surveyed entrepreneurs exhibit higher levels of wellbeing than fear, perception of risk is much higher than risk-taking, and that evaluation of the

probability of failure is low, with entrepreneurs considering the probability of their businesses failing to be low.

Keywords

Bibliometric analysis; Emotions; Entrepreneurial failure; Failure causes; Failure consequences; Family; Fear; Learning; Microcompanies; Pain; Re-entry; Risk; Systematic literature review; Wellbeing.

Resumo

O empreendedorismo é crucial para a economia e a sociedade, sendo uma das suas principais características a assunção de riscos e, como tal, a probabilidade de fracasso existe e é elevada. Por isso é tão importante estudar o fracasso quanto o sucesso.

Esta tese estuda o fracasso empreendedor e é composta por cinco ensaios: uma revisão sistemática da literatura (ensaio 1) e quatro estudos empíricos que procuram compreender o fenómeno do fracasso, especificamente nas causas, consequências e reentrada (ensaio 2), na aprendizagem (ensaio 3), no medo (ensaio 4) e nas emoções como o medo e o bem-estar, e o seu impacto no risco e na forma como os empreendedores avaliam o seu sucesso.

A tese tem como unidade de análise as microempresas portuguesas e optou-se por este tipo de empresas, por duas razões principais. Primeiro, porque as microempresas são as empresas em maior número, não só em Portugal, mas na maioria dos países e têm uma probabilidade de fracasso elevada, o que as torna muito relevantes e, também devido ao elevado número de empregos que geram e à distribuição do rendimento que originam. Depois, porque o efeito do fracasso nos empreendedores que criaram microempresas e que as viram desaparecer é muito diferente do que se passa quando uma empresa de grandes dimensões fracassa. O que se pretendeu aprofundar foi, precisamente, essa perda sentida pelos microempreendedores. Este estudo centrou-se, assim, no estudo do fracasso de microempresas sob a perspetiva e percepção do empreendedor e da sua família. Pretendeu olhar-se para o fracasso a partir de dentro, para se perceber os efeitos das diferenças individuais quer dos empresários quer do ambiente familiar, analisar os sentimentos, dando especial atenção à dor provocada e às suas consequências para a vida destas pessoas.

Esta tese oferece relevantes contribuições para o conhecimento sobre empreendedorismo e sobre o fracasso em particular. Com o objetivo de obter uma visão holística da investigação, que tem sido realizada ao longo do tempo sobre o tema, iniciou-se o estudo por uma revisão sistemática da literatura sobre o fracasso empreendedor. Identificaram-se várias lacunas de investigação, algumas das quais esta tese pretendeu preencher. Desta revisão, apresentada no capítulo 2, foi possível agrupar a literatura em três grupos temáticos (clusters) – causas, aprendizagem e medo - que foram o ponto de partida para os três estudos empíricos seguintes. O quinto e último estudo surge na sequência dos três anteriores que mostraram a importância de estudar também as emoções no empreendedorismo.

O capítulo 3 apresenta o primeiro estudo empírico (qualitativo) que se concentrou na compreensão das causas e consequências do fracasso empreendedor. Através de entrevistas a empreendedores, a alguns membros das suas famílias e a uma solicitadora, foi possível perceber que aspetos, como uma carga fiscal demasiado elevada, um sistema judicial deficiente e extremamente lento, assim como a política de pagamentos por parte dos clientes, incluindo o governo, limitam fortemente o sucesso destas empresas, e são apontadas como algumas das causas do fracasso destas empresas. Concluiu-se que o fracasso é uma experiência muito negativa e excecionalmente dolorosa para quem criou uma empresa cheio de expectativas que, a partir de determinada altura, se veem goradas, assim como para a sua família. A gravidade das consequências do fracasso depende muito da capacidade de análise da realidade que o empreendedor tem o que explica a forma como prepara o fracasso. São as consequências financeiras que condicionam todo o resto. Quanto mais graves forem, mais grave é todo o processo, levando por vezes à destruição da vida das pessoas e impedindo uma recuperação que permita um recomeço. As famílias são cruciais nesta fase.

Outro aspeto que sobressaiu da revisão da literatura foi o papel da aprendizagem no processo do fracasso empreendedor. Assim, o segundo ensaio empírico (qualitativo), apresentado no capítulo 4, foi dedicado ao estudo da aprendizagem, também com base em entrevistas e sob a ótica do empreendedor. Ou seja, pretendeu analisar-se o que o empreendedor considera que aprendeu com o fracasso e que importância dá a essa aprendizagem. Percebeu-se que a aprendizagem é mais intensa e mais frutífera ao longo da vida da empresa. No entanto, verificou-se que alguns dos empreendedores não estão cientes da sua própria ignorância o que pode limitar a aprendizagem, refletindo-se numa maior probabilidade de fracasso. Quando o fracasso passa a ser uma possibilidade mais real, pode haver um bloqueio ou uma negação que a acontecer limitam muito a capacidade de aprender com a experiência, pois condicionam fortemente a parte cognitiva da pessoa. Contudo, se isso não acontecer há uma aprendizagem centrada noutros aspetos seja, relativamente a apoios ou à falta deles, seja relativamente às pessoas próximas, em que o empreendedor percebe em quem pode de facto confiar e quem os abandonou. Este é um aspeto decisivo para a sua saúde mental e física, e para a recuperação poder acontecer, tornando muito clara a relação entre a aprendizagem e as emoções. Depois de a empresa ter desaparecido (fechado ou vendida) a aprendizagem vai acompanhando o processo de recuperação e incide mais sobre os próprios empreendedores, ocorrendo uma introspeção que vai permitir que se

conheçam melhor enquanto pessoas, e vai condicionar a decisão de reentrar noutro negócio ou, pelo contrário, optar por outra solução menos arriscada.

O medo é outra realidade inerente ao empreendedorismo que surgiu nitidamente da revisão da literatura e que também foi estudado nesta tese, no terceiro ensaio (capítulo 5), através de uma abordagem qualitativa, com recurso a entrevistas. As microempresas, devido à sua reduzida dimensão e porque estão íntima e fortemente ligadas ao empreendedor, têm elevadas taxas de fracasso, o que induz medo não apenas no empreendedor, mas também na sua família. O objetivo deste estudo foi entender a dinâmica deste medo, que está presente a partir do momento em que a empresa começa a funcionar. É descrito como sendo motivador e indutor da criatividade. Este medo induz o empreendedor a procurar novas estratégias, novas formas de fazer acontecer, a procurar novos clientes, a colocar-se na pele do cliente para perceber o mais cedo possível as suas necessidades atuais e especialmente as futuras. Pode, pois, concluir-se que o medo nesta fase é em parte responsável pelo sucesso das empresas. No entanto, quando o fracasso surge no horizonte como um aspeto mais real, o medo altera-se, intensifica-se e muito frequentemente bloqueia a capacidade de raciocínio e de análise do empreendedor, porque estas empresas são vistas por quem as criou como se de um membro da família se tratasse, como uma "pessoa" querida. Assim, a possibilidade da sua perda afeta muito estes empreendedores. Por outro lado, em muitos casos estas empresas suportam financeiramente os empreendedores e as suas famílias, e a sua perda vai condicionar a qualidade das suas vidas de forma muito intensa. Alguns empreendedores não aceitam facilmente o facto de sentirem medo, embora o tenham sentido. É na fase final, em que o fracasso é uma realidade, que as famílias também começam a sentir medo, e por isso influenciam o empreendedor na tentativa de não passarem novamente por uma situação tão dolorosa. O fracasso causa dor, a dor causa medo e o medo intensifica a dor.

Os estudos anteriores (ensaios 2, 3 e 4) chamaram a atenção para o papel das emoções no empreendedorismo numa perspetiva qualitativa. O último estudo (ensaio 5) visou avaliar o impacto das emoções numa perspetiva quantitativa (capítulo 6). Assim, e na impossibilidade de estudar toda a gama de emoções que são vividas pelos empreendedores, optou-se por estudar o medo e o bem-estar, ambas ainda pouco estudadas no âmbito do empreendedorismo. Foram formuladas várias hipóteses de investigação e constatou-se que quanto maior o medo maior é a perceção do risco, enquanto o bem-estar potencia a propensão para o risco. Da mesma forma, o medo provoca uma avaliação da probabilidade de fracasso maior ao contrário do bem-estar.

Esta tese permitiu chegar a várias conclusões muito relevantes para o conhecimento sobre a relação entre o fracasso empreendedor e o empreendedorismo. Para além disso, clarificou as causas e consequências do fracasso, mostrou a importância da aprendizagem e do medo e a importância das famílias para os empreendedores, para a sua recuperação após um fracasso e nas decisões que tomam. Também se percebeu que a reentrada após o fracasso é influenciada muito intensamente pelas consequências financeiras e também pelas famílias. Por outro lado, o medo e o bem-estar afetam a avaliação que os empreendedores fazem da probabilidade de fracasso das suas empresas, além de condicionarem a forma de percecionarem e assumirem o risco.

Palavras chave

Análise bibliométrica; Aprendizagem; Bem-estar; Causas do fracasso; Consequências do fracasso; Dor; Emoções; Família; Fracasso empresarial; Medo; Microempresas; Reentrada; Risco; Revisão sistemática da literatura.

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List of Acronyms

CB-SEM	Covariance-Based Structural Equation Modelling
CEO	Chief Executive Officer
EF	Entrepreneurial Failure
FoF	Fear of Failure
GDP	Gross Domestic Product
OECD	Organisation for Economic Co-operation and Development
PLS	Partial Least Squares
R&D	Research and Development
SEM	Structural Equation Modelling
SLR	Systematic Literature Review
SME	Small and Medium Enterprises
VAT	Value Added Tax

CHAPTER 1 – Introduction

1.1. Statement of the problem

Entrepreneurship plays a crucial role in economic development, job creation, innovation, and competitiveness (González & Fuentelsaz, 2015; He et al., 2020). Therefore, it is vital for countries' prosperity and development and contributes to social and individual progress (Othman & Othman, 2021). The entrepreneurial process begins when an individual identifies and exploits business opportunities; that is, when a person seizes opportunities to create new or develop existing products or services (Bakker & Shepherd, 2017).

Entrepreneurship is inseparable from assuming uncertainty and, consequently, risk (Ucbasaran et al., 2013) so that the probability of failure (Carroll, 2017) is a reality and represents a financial and psychological cost not only for the entrepreneur but also for their family and other stakeholders, and society as a whole (Eklund et al.,2018). Therefore, because of its high prevalence, entrepreneurial failure (EF) is increasingly perceived as an important aspect of entrepreneurship that must be understood (Jenkins & McKelvie, 2016). Its consequences are very intense in the lives of entrepreneurs and also those around them (Klimas et al., 2020), and as McGrath (1999) explains, the very public nature of failure, observed by family, friends, and the entrepreneur's social network contacts, can lead to negative feelings of humiliation or remorse.

Thus, there has been a growing interest in the study of EF, which has focused on various aspects, such as the causes (Muñoz-Izquierdo et al., 2019; Tingbani et al., 2019; Yamakawa & Cardon, 2015), learning (Cope, 2011; Pittaway et al., 2004; Shepherd, 2003), emotions (Cardon et al., 2012; Cope, 2003; Ucbasaran et al., 2010), such as pain (Cope, 2011; Jenkins et al., 2014; Shepherd, 2003; Wolfe & Shepherd, 2015), the sense given to EF by entrepreneurs (sensemaking) (Cardon et al., 2011; Shepherd, 2009a), stigma (Simmons et al., 2014; Singh et al., 2015), recovery (Cope, 2011; Ucbasaran et al., 2013; Yamakawa & Cardon, 2015), or the costs of EF (McGrath, 1999; Singh et al., 2007; Van Auken et al., 2009).

As entrepreneurship and business creation are such important aspects of the economy and societies, the study of failure has to focus on what happens afterwards, namely, whether the entrepreneur who failed creates another business or opts for another solution. Re-entry is, therefore, a critical aspect to understand. Therefore, this thesis's general objective is the study of micro-enterprise failure in Portugal. Based on five essays, the thesis has the following specific objectives:

1. Conduct a systematic literature review (SLR) based on bibliometric analysis to identify a state-of-the-art on entrepreneurial failure and the main gaps that need to be filled.
2. Analyse the causes and consequences of micro-enterprise failure in Portugal, the impact of families and the factors that influence re-entry into subsequent businesses.
3. Study how learning occurs in these companies before and after failure and understand its influence on the entrepreneur's recovery.
4. Understand when and why entrepreneurs feel fear and its impacts on the decisions that follow failure.
5. Evaluate the relationships between fear and wellbeing, in the evaluation that the entrepreneur makes of risk and how they position themselves in relation to it, and the impact that these variables have on the evaluation that the entrepreneur makes of the success of their company. Understand the impact of previous failure on these variables.

1.2. Conceptual model and unit of analysis

1.2.1. Conceptual model

Entrepreneurial failure is a multidimensional and complex phenomenon that depends on a large number of aspects. These aspects can be internal or external to organizations or depend on the entrepreneur and their characteristics (Klimas et al., 2020). It is relevant to study them because all these aspects are influenced by the society and culture where the company is located (Wennberg et al., 2013). On the other hand, the consequences of failure are intensely negative for most entrepreneurs, especially for micro-entrepreneurs, making it essential to understand them. Learning (Shepherd, 2003) or fear (Cacciotti et al., 2016) are relevant because they influence success and failure. Lately, the study of failure has focused on the psychological perspective because of the crucial role of the entrepreneur (Frese & Gielnik, 2014) and their emotions (Delgado García et al., 2015) in the development of business life.

The relevance of microenterprises is significant in most economies (DeTienne et al., 2008) due to the high number of jobs they create their role in driving domestic production and consumption, and their distribution of wealth in society (Ortiz Medina, 2013). They are the most numerous type of enterprise in all countries, and in Europe, they constituted about 93% of enterprises in 2019 (EUROSTAT (OECD), 2019). In Portugal, microenterprises represent about 95% of small and medium enterprises (SME), being the most relevant class in all sectors of activity (EUROSTAT (OECD), 2022). In 2021, its turnover was €81.698,4 million (31%), and it employed 1,878,289 (46%) workers (PORDATA, 2023). Despite being the most numerous, in 2020, they only accounted for 18% of the total turnover of companies in Portugal (INE, 2021). For every 12 microenterprises created, 10 cease their activity (Banco de Portugal, 2021).

Financial resilience is an important indicator of a company's survival capacity, with 38% of microenterprises in Portugal being resilient (high or medium-high level) and 34% being less resilient (reduced or minimum level) (INFORMA D&B, 2020). Company size is the most structural characteristic of resilience (INFORMA D&B, 2020). Another characteristic of microenterprises is that they are the most intensely connected to their founder (Cardon et al., 2005), so their failure significantly impacts their founders, which is also important to study. Figure 1.1 illustrates the conceptual model followed.

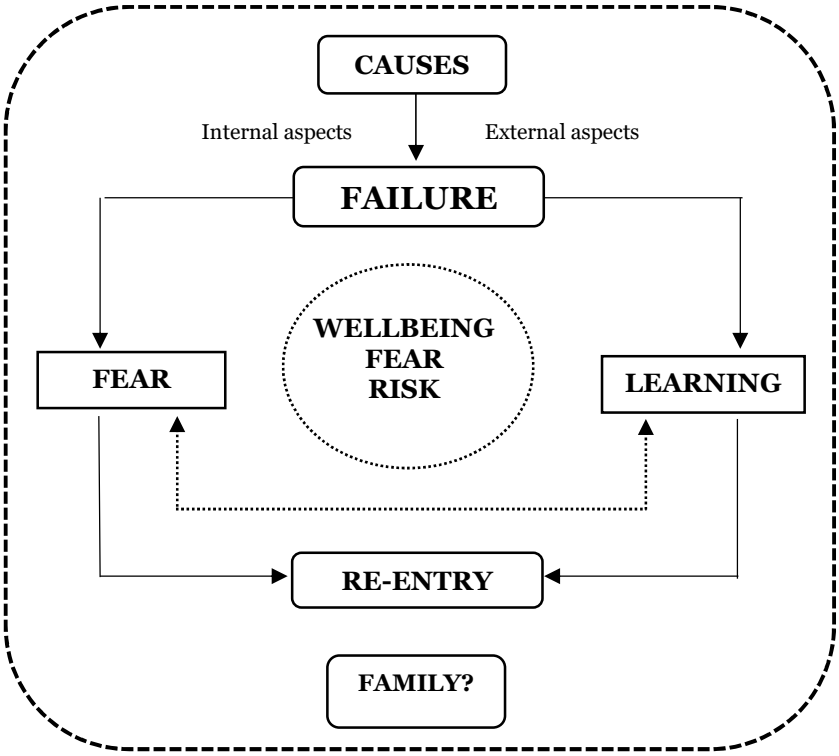


Table. 1.1. Conceptual Model

This thesis follows an exploratory approach and, through several case studies, studies different aspects of the failure of Portuguese microenterprises. There are different ways to approach the causes of entrepreneurial failure. The deterministic view sees external factors, often tied to the economy and politics, as causing EF, over which managers have little control (Walsh & Cunningham, 2016). The institutional theory emphasizes the institutional environment's impact on business decisions, which can contribute to EF (Çera et al., 2019; García-Ramos et al., 2017; Lin et al., 2019). The industrial organization perspective blames changes in the external environment, such as technological or regulatory changes, for generating shocks that lead to EF (Mellahi & Wilkinson, 2004). This view assumes decision-makers are rational and committed, always acting in the company's best interest, and EF cannot be caused by them alone (Mellahi & Wilkinson, 2004).

Organizational Ecology posits that companies influence each other's success rates, with population density, life cycle, age, and size being the key factors (Agarwal et al., 2002; Barnett & Amburgey, 1990; Baum & Singh, 1994; Bruderl & Schussler, 1990; Fichman & Levinthal, 1991; Mellahi & Wilkinson, 2004; Petersen & Koput, 1991).

The voluntarist approach blames top management for failure due to resource mismanagement (Cardon et al., 2011; Khelil, 2016; Mellahi & Wilkinson, 2004). The resource-based theory emphasizes internal factors like management practices, accounting, marketing, and financial planning that impact a company's performance (Mellahi & Wilkinson, 2004; Thornhill & Amit, 2003). The resource and capabilities theory argues that combining valuable, rare, inimitable, and non-substitutable resources can lead to a competitive advantage (Barney, 1991). Meanwhile, the dynamic capabilities perspective suggests that competitive advantage is gained through organizational processes shaped by resources and strategic paths (Teece et al., 1997).

The emotional approach highlights the impact of psychological factors on EF (Cardon et al., 2012; van Gelder, 2007). Threshold theory argues that entrepreneurs' performance threshold is a determinant of their success (DeTienne et al., 2008; Gimeno et al., 1997). The discrepancy theory introduces "entrepreneurial satisfaction" as a measure of success (Cooper & Artz, 1995). Attribution theory examines how individuals infer causality between events, with self-serving attribution as a bias that can affect learning from failure (Rogoff et al., 2004; Shepherd, 2009a; Shepherd, 2009b). Personality traits play a significant role in EF (Pardo & Alfonso, 2017), making it crucial when studying the causes of EF, particularly from the entrepreneur's perspective (Walsh & Cunningham, 2016).

Gartner (1989) suggested that research on entrepreneurs should focus more on their actions rather than their traits. This led to a debate about entrepreneurial learning (EL), with different perspectives emerging. The experiential perspective (Politis, 2005) is based on Kolb's (1984) theory that learning is a process of continuous modification of concepts by experience, with different individuals adopting different learning styles. Experience is the main source of learning for entrepreneurs (Cope, 2003; Politis, 2005), but it goes beyond repeating past successes and avoiding failures.

The experiential perspective (Politis, 2005) suggests that entrepreneurs learn mainly from experience, while the cognitive-affective perspective (Fenwick, 2003; Rae & Carswell, 2001) emphasizes the role of personality, attitude, and emotions in stimulating learning. The networking perspective (Gibb, 1997) highlights the importance of social relationships in the learning process. These perspectives complement each other and contribute to our understanding of EF as a result of the interaction between internal characteristics, external environment, and experiences of the entrepreneur.

The fear, particularly fear of failure (FoF), significantly affects entrepreneurship and entrepreneurs in all stages of a company's life. It impacts opportunity evaluation (Mitchell & Shepherd, 2010), reduces the propensity to start a business (Koellinger et al., 2007), and moderates growth expectations (Atilla Öner & Kunday, 2016). The affective events theory suggests that everyday situations trigger emotions that impact behaviours, attitudes, and performances (Weiss & Cropanzano, 1996). The Cognitive Appraisal Theory considers that emotions arise from evaluating the situation (Lerner & Keltner, 2001). Fear can inhibit entrepreneurial action in a perceived risky, uncertain, and uncontrollable situation (Caiazza et al., 2020).

Entrepreneurs' personality traits significantly impact their organization's performance, especially in microenterprises, and can explain their success/failure (Caliendo & Kritikos, 2007; Przepiorka, 2017). Emotions are essential in entrepreneurship because they influence cognition and behaviour, and entrepreneurs face unknown situations generating strong emotions (Foo et al., 2013; Patzelt & Shepherd, 2011). Emotions play an important role in adaptive coordination, influencing decision-making, particularly in complex or atypical situations (Baron, 2008; Lu et al., 2022).

Risk is the likelihood of negative outcomes from decisions. Risk behaviour is linked to decision-making. Risk preferences vary among individuals and can influence decision-making. Risk perception assesses the risk associated with a situation, while risk propensity is an individual's inclination to take or avoid risks. People evaluate and respond to risks cognitively and emotionally.

This study began with a systematic literature review identifying some gaps worth investigating. Therefore, the study analysed the causes and consequences of EF, learning and fear experienced by entrepreneurs in the context of their failure. From these studies, the importance of emotions in entrepreneurship and failure emerged, and with a gap still existing in the evaluation of fear and wellbeing related to EF, a quantitative study of emotions and their impact on risk analysis and positioning, as well as the perception of success in their businesses, was conducted.

1.2.2. Unit of analysis

This research explores the causes of business failure from the entrepreneur's perspective. The aim is to understand business failure in Portuguese micro-enterprises, the impact of the characteristics of the entrepreneur (Aguilar Rascón & Velázquez, 2019) and external constraints (Mellahi & Wilkinson, 2004), as well as the consequences of business failure on the entrepreneur and their families will also be examined, what he learned and how he felt.

To understand business failure, it is necessary to focus on the entrepreneur and how they perceive and feel about it. The attributions made by the entrepreneur regarding business failure are of great relevance to the way the whole process unfolds (Çera et al., 2019), particularly in terms of attributing it to external or internal organizational issues (Franco & Haase, 2010) or themselves (Khelil, 2016). Business failure has a significant emotional impact on the entrepreneur, closely related to social costs (Cope, 2011) and the pain and guilt it causes (Shepherd, 2009b). These emotions interfere with the entrepreneur's view of the problem that caused the failure, how they position themselves towards it, and their ability to recover (Singh et al., 2007). Their subsequent intentions, such as re-entering a new business (Hsu et al., 2015), are influenced by the emotions of business failure and their personal characteristics. Given the importance of entrepreneurship in creating wealth for society (González & Fuentelsaz, 2015), the study of business failure is of great relevance, especially because its prevalence is high (Artinger & Powell, 2016; González & Fuentelsaz, 2015; Hogarth & Karelaia, 2012; Singh et al., 2007).

The unit of analysis in this study is, thus, the entrepreneurs who created their microenterprises and have experienced a business failure.

1.3. Research methodology

A systematic literature review identified state-of-the-art and some knowledge gaps, paving the way for this investigation. The causes of failure are a well-studied topic, but there are still aspects to be further explored, such as what can lead Portuguese microenterprises to fail and how entrepreneurs experience this, what the consequences are for them and their families, how learning occurs before, during, and after failure, and what factors trigger fear and what implications it has. It is also necessary to understand the role of families in how entrepreneurs experience and recover from failure and whether they interfere in any eventual re-entry into another business. Emotions, being determinants of entrepreneurs' lives, were analysed to understand how they are affected and influenced by how risk is assessed and their propensity to take risks. It was also desired to understand whether the success of companies is affected, and if so, how.

1.3.1. Philosophical underpinnings and methods

The research processes integrate four elements: epistemology, theoretical or philosophical perspective, methodology, and methods (Crotty, 1998). As the first element, epistemology refers to assumptions about knowledge, such as what constitutes acceptable, valid, and legitimate

knowledge and how we can communicate knowledge to others (Burrell & Morgan, 2016). The main types of epistemology are objectivism, constructivism, and subjectivism (Al-Ababneh, 2020). The theoretical perspective is the research's underlying philosophy, and in business and management, the main approaches are positivism, interpretivism, critical realism, postmodernism, and pragmatism (Saunders et al., 2019). It conditions the methodology and methods chosen and provides a context for the research. Methodology refers to the general research strategy adopted to achieve the defined objectives. It includes data collection, analysis methods, and sampling techniques and should be consistent with the chosen theoretical perspective and epistemology. Research methods that include specific data collection and analysis techniques and sampling should be chosen based on the selected methodology and underlying theoretical perspective (Al-Ababneh, 2020).

The second element, the theoretical perspective, describes the philosophical position behind the chosen methodology, underpinning the choice of methodology. The main theoretical perspectives are positivism, interpretivism, critical realism, postmodernism, and pragmatism (Saunders et al., 2019). The third element, research methodology, represents the strategy and plan of action, referring to the research design that shapes the chosen research methods and justifies the choice of methods. The fourth element integrates the methods, techniques, or procedures that include the activities for collecting and analysing data based on the research question or hypothesis (Crotty, 1998).

This thesis assumes an epistemology of the subjectivist and constructivist type (qualitative methodology), which considers that reality is constructed through social interaction in which social actors create meanings and partially shared realities, that is, the reality is constructed intersubjective (Saunders et al., 2019). The quantitative essay was based on positivist epistemology, which assumes that human facts are similar to natural facts. This means that social facts can be observed objectively, without preconceived ideas, and expressed in quantitative terms. General laws can also explain them subjected to experimentation.

In philosophical terms, this thesis uses concepts related to critical realism, interpretivism, and postmodernism in the sense that it assumes the existence of an external reality to human knowledge but acknowledges that access to that reality is mediated by our mental representations, which are influenced by our perceptions, experiences, and prior knowledge. In other words, reality is constructed from the experiences and interactions between the subject and the world, but it exists independently of our perception or understanding. From the perspective of interpretivism, the study assumes subjectivity and the diversity of individual perspectives and seeks to understand how people experience and interpret the world. This led to the choice of qualitative analysis, using interviews and participant observation to identify how people perceive and interpret reality.

The study also adopts some viewpoints of postmodern philosophy, which considers that reality is socially constructed, and that truth is a cultural construct, emphasizing the importance of individual and subjective perspectives in interpreting the reality under study. Thus, the choice of a first exploratory qualitative analysis, which relied on a multiple case study, is justified to understand the problem of entrepreneurial failure from the emotional point of view of those who experienced it. Later, a quantitative analysis was conducted to quantify some aspects identified in the initial phase and to understand the dimensions of those aspects more objectively, using a questionnaire to collect data. After a qualitative study that allowed us to understand the causes, consequences, learning, and fear that entrepreneurs develop during the entrepreneurial process and their failure, the second phase of the study focused on studying positive (wellbeing) and negative (fear) emotions quantitatively to understand how they impact risk assessment and risk-taking propensity, and finally to try to understand whether their emotions influence how entrepreneurs evaluate their success or failure or not.

1.3.2. Samples and data collection

It was necessary to conduct several studies to study the EF of Portuguese micro-enterprises, from the perspective of the entrepreneur who created the company and experienced its failure.

The first one was a systematic literature review. The data were collected from the Web of Science Core Collection database. To ensure quality control and to capture publications of greater academic impact, only 3, 4, and 4* top-ranked journals from the ABS Academic Journal Guide 2021 were selected (Kücher & Feldbauer-Durstmüller, 2019). We limited our search to articles written in English and published in peer-reviewed journals in management. After reading the titles, the abstracts (Pittaway et al., 2004) and the conclusions, all articles that were not related to "the cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the entrepreneur" (Ucbasaran et al., 2013, p. 175) were excluded. The final sample comprised 86 articles.

The following three studies used data collected through 16 interviews with entrepreneurs to give them a voice in identifying the problems and feelings caused by failure. The sample was the same for all three studies. Each entrepreneur was interviewed three times, focusing on the theme corresponding to each study. It was decided to work with a non-probability sample, which immediately entailed subjective judgment in its selection. According to Saunders and Townsend (2016), the sample size should range between four and 12 in the case of homogeneous samples and between 12 and 60 in the case of heterogeneous samples. As this is the latter case, the sample consisted of 16 entrepreneurs, a value within the range. It is relevant to mention that finding people willing to talk about the failure of their businesses was extremely difficult (van Gelder, 2007), but despite that, the sample used was diverse in terms of gender, age, education

levels, professional experience, and industry sectors, which allowed for different opinions and feelings to be expressed, while also revealing many similarities between the different entrepreneurs.

Purposive sampling was used, which involves the researcher's judgment in selecting cases that will best answer the research questions. It is a technique used with small samples and when it is important to choose particularly informative cases (Saunders et al., 2019). The underlying logic behind selecting the chosen entrepreneurs is related to the research question, the difficulty in finding available people who were also different in terms of their experiences, which allowed for comprehensive knowledge about the phenomenon under study to be obtained with minimal bias. Thus, in addition to the studied entrepreneurs, their families and a solicitor with over 20 years of experience and a relationship with entrepreneurs who have experienced business failures were interviewed, allowing for an understanding of the effects of failure beyond the entrepreneur and triangulation of the data, ensuring a more robust analysis.

In essay 5, a quantitative analysis was used to measure emotions and their impact on the risk and evaluation of the success of businesses as perceived by entrepreneurs. In this case, the study population was entrepreneurs, regardless of the company size, sector, gender, age, education, etc. No secondary data on the studied issues were available, so primary data had to be collected. In the inability to question all entrepreneurs, obtaining a sample willing to respond to a questionnaire was necessary. The sampling technique chosen was volunteer sampling, which has two types: snowball and self-selection. In the first type, some cases are identified and asked to identify others, which are then asked to identify others. In the second type, each case can participate in the study if interested. Thus, the need to find entrepreneurs available to participate in the study through the response to an online questionnaire was advertised through social networks and business associations throughout the country. The snowball technique described above was also used in asking these respondents to send the questionnaire to other potential respondents. A total of 212 complete and valid questionnaire responses were obtained, available for six weeks between February and March 2023.

1.3.3. Chapter approaches

Conducting research and relating it to existing knowledge is the foundation of all academic investigation activities, regardless of the discipline, and should be done accurately. However, this task has become increasingly complex. Knowledge production within the field of management research is accelerating at a high pace while remaining fragmented and interdisciplinary, making it difficult to keep up with the creation of new knowledge (Snyder, 2019).

Systematic literature reviews are currently a more relevant research method than ever before. A SLR can be described as a systematic way of collecting and synthesising previous research (Tranfield et al., 2003). Doing well creates a solid foundation for advancing knowledge and facilitating theoretical development. By integrating findings and perspectives from a large number of different studies, a SLR can address research questions with much more relevance than any isolated study. It is also an excellent way to synthesise research findings to show evidence at a meta-level and to discover areas where further research is needed, which is crucial in building theoretical frameworks and conceptual models (Snyder, 2019). In Essay 1 (Chapter 2), a SLR was conducted that allowed for the systematic organisation of knowledge on the research topic - entrepreneurial failure - and obtained a knowledge base on which subsequent studies were based.

When using a qualitative approach, the goal is to understand the meanings and characteristics of the situations under study by analysing the complexity and contextualization of reality (Marconi & Lakatos, 2019). According to Minayo (1993), qualitative research focuses on a level of reality that cannot be quantified because it deals with meanings, motives, aspirations, beliefs, values, and attitudes, which are located at a deeper level of relationships and processes that may be difficult to reduce to the operationalization of variables. The case study is a qualitative methodological procedure that is based on the intensive exploration of a unit of study, the case (e.g., an individual, group, or community), to precisely describe the behaviours of the individual who is the centre of the researcher's attention. This method assumes that the researcher selects and determines in advance the type of behaviour to be observed and studied (Freixo, 2009). It is an empirical investigation with a strong descriptive bias.

Therefore, after reviewing the literature, which emphasized the importance of studying the causes, learning, and fear for understanding business failure, we conducted three qualitative empirical studies to examine these aspects. We selected Portuguese micro-entrepreneurs who had experienced business failure as the unit of analysis. We also focused these studies on the entrepreneur to understand their perspective. We constructed a sample of several entrepreneurs who were quite different from each other in terms of gender, age, knowledge and education, business sector, and personal characteristics, among others. We could triangulate the data with information provided by a solicitor who has been working with business failure for more than 20 years and with the families of the entrepreneurs, who were also studied. Thus, essays 2 (chapter 3), 3 (chapter 4), and 4 (chapter 5) are three multiple case studies based on interviews with entrepreneurs, their families, and the solicitor. The need for these qualitative studies arose from the lack of sufficient information on Portuguese micro-entrepreneurs to advance quantitative studies. Therefore, it was necessary to begin with exploratory studies that would allow for data collection to better understand the aspects related to micro-enterprise failure in Portugal.

The quantitative approach deals with numbers and employs statistical models to explain data, appropriately handling data obtained through questionnaires. Based on the hypothetical-deductive method, the data allow for the verification of hypotheses and their acceptance or rejection. It allows for precise studies with control of variables, verifying the results statistically and preventing interference and researcher subjectivity. One of the types of quantitative analysis is the survey design, which aims to describe, explain, and explore a phenomenon that is intended to be studied. They are characterized by direct inquiry of people to understand their behaviour (Marconi & Lakatos, 2019). This way, essay 5 (Chapter 6) is a quantitative study conducted after realizing the enormous relevance of emotions in all aspects studied - causes, learning, and fear - and in the entrepreneurial process in general. It made sense to quantify and relate these emotions to understand better the relationships between them and between them and entrepreneurship. The data were obtained through a questionnaire that inquired about fear, wellbeing, risk perception and taking, as well as the evaluation of the success of the entrepreneurs' companies studied. A structural equation modelling (SEM) approach was employed to validate the hypotheses under study, using the estimation method known as Partial Least Squares (PLS). This method is widely used in research in business sciences, as seen in previous studies (e.g. Hair et al., 2020). PLS-SEM was chosen over covariance-based SEM (CB-SEM) due to the non-normal distribution of the items, which is a necessary assumption for CB-SEM. Additionally, the sample size did not allow for precise estimation using CB-SEM, and the constructs were composite measures (Hair et al., 2020; 2019; Sarstedt et al., 2019)

1.4. Thesis contributions

This thesis contributes to entrepreneurship by increasing knowledge about the failure of micro-businesses, as perceived by entrepreneurs and their families. Initially, through a systematic review of the literature (chapter 2), we synthesized the existing knowledge on this topic, with three areas of study being identified as of interest to researchers: causes, learning, and fear. Based on our systematic review, we have developed an integrative EF research framework that evidences how each thematic group fits together and provides the current knowledge about EF and re-entry. And we identified some of the aspects that are insufficiently studied and need more investigation. From here, we move on to several empirical studies on some of the topics requiring more research attention.

In essay 2 (chapter 3), we study the causes of failure and, from a theoretical point of view, we enhance the understanding of the critical role of entrepreneurs and their families in the failure of micro-enterprises. From a theoretical perspective, we contribute to a deeper understanding of the important role of entrepreneurs and their families in micro-enterprise failure. Examining the phenomenon from the entrepreneur's perspective is crucial because micro-enterprises are

like extensions of the entrepreneurs themselves (Jenkins, 2022), so we demonstrate how they feel throughout the process and how they analyse the failure of their firms and its consequences.

A second contribution is to focus on the failure of microenterprises from southern Europe, a reality that has been little studied though fundamental to understand. We advance past research (Dias & Teixeira, 2017) by not only improving their reliability by using a much larger sample but also by showing that in addition to the factors earlier identified, others like lack of training and knowledge, as well as the socioeconomic level of the entrepreneurs, can lead to EF. We also conclude that it is difficult for the microentrepreneurs who failed to re-enter into other businesses because of the great pain they suffered, which they do not want to repeat.

Third, we uncover families' decisive role in supporting the entrepreneur during EF. This advances past literature (e.g., Cogan et al., 2022; Revilla et al., 2016; Yu et al., 2020) by showing how families can strongly contribute to entrepreneurs' total recovery or, on the other hand, constitute another serious problem that will put them in a position which it will be very difficult to get out from.

Fourth, this study shows the crucial importance of the financial consequences of EF both for the mental and physical health of entrepreneurs and for their subsequent re-entry into other businesses, drawing attention to the crucial role of the family in this process, which may enhance the entrepreneurs' recovery or contribute to its impossibility, worsening the emotional consequences of EF. Past research on this matter (Cogan et al., 2022; Revilla et al., 2016; Yu et al., 2020) talked about how family support becomes an integral part of the everyday activities of entrepreneurs, about the effect of family involvement in management to reduce the risk of EF and the relationship between EF and conflict between work and family. However, we advance the entrepreneurship literature by showing the impact of families on the recovery of failed entrepreneurs, namely through offering emotional and financial support.

From a managerial point of view, we contribute to different approaches to microcompanies, a company type with very specific characteristics that require different approaches (Essay #2). Given that microcompanies account for around 96% of private sector firms, 40% of employment, and 20% of GDP in Portugal (PORDATA, 2023) and are different to other larger-sized companies in facing their own particular problems, we consider that make sense to separate them from the SME category. This would require public policies, incentives, and supports especially designed for this company scale. An effective approach would involve establishing support networks facilitating collaboration, idea exchange, and partnership formation. For instance, creating opportunities for Portuguese companies to connect and address common challenges, such as negotiating with bigger suppliers, expanding globally, and acquiring essential support services.

To better support Portuguese microcompanies and increase their chances of success while reducing the risk of failure, it may be beneficial to establish an observatory that regularly evaluates the sector's performance and provides feedback to relevant stakeholders. This would allow for targeted support to address specific challenges these companies face and draw attention to their unique issues through appropriate channels. Additionally, delayed payments pose a serious problem for microcompanies, and addressing it would require effective payment policies in both the public and private sectors. Regular inspections and proportional fines for non-compliance, based on company size, could help mitigate this issue and resolve it (Duarte, 2022).

From a political perspective, this research's findings could contribute to reducing the failure of microenterprises because reducing the tax burden and revising the current fiscal mechanisms seem critical to addressing the challenges faced by microenterprises and preventing their failure. In OECD countries, there has been a continuous and widespread reduction in corporate income tax rates over the last two decades. In this context, Portugal emerges as a different case. being one of the countries where the maximum statutory rate of corporation tax is higher, standing above or in line with the 75th percentile since 2012 and among the three highest since 2018 (Braz et al., 2022). Additionally, the absence of an efficient, transparent, and affordable justice system exacerbates many of the problems small companies face. It is imperative to expedite the legal process, streamline it, and make it more accessible to individuals and businesses to facilitate prompt problem resolution. By implementing these measures, we can promote a fair and supportive environment for microenterprises and improve their chances of success.

We also need educational policies that promote the training of entrepreneurs and businesspeople to better manage their companies by increasing their technical knowledge and self-knowledge (Akhmetshin et al., 2019). This training can be at the level of bachelor's and master's degrees that train people with comprehensive skills that allow them to create and develop companies that are more robust and more resistant to the crises and difficulties posed by an environment of permanent change. But there is also a need for lifelong training that will allow older entrepreneurs with practically nonexistent basic training to adapt to the current business world, which barely resembles the one where they often started their companies. Thus, higher education should try to approach companies, especially microbusinesses, that have the most difficulty understanding the importance of knowledge and therefore do not seek it. To better equip entrepreneurs and businesspeople with the knowledge and skills necessary to manage their companies effectively, it is essential to implement educational policies that prioritize their training. This training should focus on technical knowledge and self-awareness and be available at both the undergraduate and graduate levels. This comprehensive approach will enable individuals to create and develop more resilient companies better equipped to navigate today's business environment's constant changes and challenges.

Our third essay on learning (chapter 4) brought several theoretical contributions. First, this research contributes to the existing understanding of how failure and learning are interconnected (He et al., 2017). It is natural to learn when a failure occurs, realizing what should and should not be done in the future. This happens on a day-to-day basis in companies. However, when the company fails, a deeper reflection occurs about what happened and who the entrepreneurs are. This process allows entrepreneurs to become aware of their limitations and mistakes. They also learn about other people based on their behaviour during the company's failure.

Secondly, it was observed that entrepreneurs have a strong emotional connection to their ventures, and through their experiences, they gain substantial knowledge, which they believe has shaped their identity. Learning continuously is critical for achieving business success, as it involves continually updating expectations (Amore et al., 2021). When faced with failure, the response varies depending on the individual's previous training and knowledge and the support and reaction received from their family. Our study builds upon the literature on EF (Boso et al., 2018) by examining how the EF recovery process impacts learning ability. We conclude that in non-recovery, the scope of learning is restricted and linked to the reasons they attribute for the failure.

Thirdly, this study discovered that time plays a crucial role in the recovery process, supporting the findings of Jeng and Hung (2019). The duration of recovery varies significantly among individuals and is influenced by various factors, such as securing employment or receiving support from family and friends during the process. The recovery process is not only affected by financial aspects but also by emotional factors that are closely tied to the financial situation, creating a cycle of dependency.

The main focus of this third study was to shed light on the learning process of micro-entrepreneurs who experience failure, which occurs in three distinct phases: before, during, and after the failure. Each phase is influenced by various factors, including the personal and socio-economic characteristics of the entrepreneur, the cause of the failure, and their support system. The impact on the physical and mental health of the entrepreneur can be severe, making this research significant for public policy considerations. The cost of failure is high for both the individual and society, as it results in job loss and healthcare expenses. This study concludes that training and knowledge can significantly reduce the frequency and severity of the consequences of EF in micro-enterprises. It is necessary to offer higher education that provides tools to entrepreneurs to avoid failure or cope with it effectively. Additionally, micro-entrepreneurs should receive training to improve their skills and resilience, allowing them to better understand their business and surroundings. Finally, it is crucial to establish specific support systems for micro-enterprises to identify and prevent potential EF problems.

From a practical point of view, this study provides insight into micro-entrepreneurs' learning process and may help them effectively utilize the knowledge they gain throughout their entrepreneurial journey. This, in turn, can contribute to reducing the likelihood of future failures, which is crucial due to the high financial and emotional costs associated with them. Furthermore, the study suggests that experiencing an EF can help the entrepreneur better understand themselves and potentially avoid future failures or better cope with them, leading to more successful recovery outcomes.

Our fourth essay, about fear (chapter 5), gave important theoretical contributions to understanding the effects of fear on entrepreneurship, from the launch of a company to its eventual failure and any subsequent attempts by the entrepreneur. While few studies have delved into the topic of FoF in entrepreneurship, our research stands out by examining the experiences of entrepreneurs and their families in real-life situations throughout the lifespan of their companies. This approach contrasts with some previous studies (Kollmann et al., 2017; Ng & Jenkins, 2018) that focused on fear among university students. Our findings expand on previous research by showing that fear is experienced by entrepreneur and strongly felt by their family during the failure and post-failure phases. This family dimension adds a new dimension to the study of fear in entrepreneurship that has yet to be fully explored. Our results hold important theoretical implications for understanding the multidimensional nature of FoF throughout the entrepreneurial process, from company launch to failure and possible re-entry into entrepreneurship.

Second, we also contribute to the FoF literature by providing a more comprehensive understanding of the impact of fear on micro entrepreneurs throughout the entire entrepreneurial process. We found that the causes, expression, intensity, and consequences of fear varied in each phase, which is crucial in determining how best to support micro entrepreneurs in different circumstances. Our results build upon the previous work of Cacciotti et al. (2016) and provide a holistic perspective on the role of fear in entrepreneurship. By shedding light on the "black box" of fear and its effects on micro entrepreneurs at each stage, our study advances how they can effectively cope with fear.

Thirdly, our research contributes significantly to the study of fear in entrepreneurship by shedding light on the role of the entrepreneur's family, which has been largely overlooked in previous studies. Families play a crucial role in providing emotional and financial support to entrepreneurs and can greatly influence their decisions. Therefore, by incorporating the family perspective, we have expanded the existing literature and provided a more comprehensive understanding of the dynamics of entrepreneurship.

This essay also has practical implications for managers, as we have identified the factors that increase the levels of fear experienced by entrepreneurs and their families and their impact on

the decision to re-enter entrepreneurship. By understanding these factors, entrepreneurs can take steps to mitigate the effects of fear, particularly during the final phase of their company's lifespan. Additionally, our findings highlight the important role of the family in the entrepreneurial process and the need for entrepreneurs to consider the impact of their decisions on their family members. Ultimately, this understanding can help entrepreneurs make more informed decisions and reduce the negative consequences of entrepreneurial failure.

Regarding policy implications, this essay highlights the significance of a supportive business ecosystem for entrepreneurship. Our findings reveal that factors such as a high tax burden and a lack of legal support for entrepreneurs can contribute to their failure. Improving the institutional support for micro-entrepreneurs and payment policies is essential to ensure successful entrances and re-entrances into entrepreneurship. These practical aspects require customization to address the specific needs of micro-entrepreneurs and to facilitate their growth and sustainability.

Chapter 6 presents our last essay that focused on entrepreneurs' emotions and their relations with risks, EF and the evaluation they do about the failure probability of their firms.

This fifth essay contributed to uncovering the levels of fear and wellbeing among Portuguese entrepreneurs, which, as far as we know, had not yet been evaluated with scales considering a broad set of dimensions. This study also revealed that previous failures are associated with higher levels of fear, demonstrating that these entrepreneurs re-entered new business ventures despite the fear. Despite the serious crises currently being experienced, such as the COVID-19 pandemic and the war in Ukraine (Batjargal et al., 2023), both with harsh consequences for businesses, entrepreneurs exhibit a high level of wellbeing.

Knowledge about entrepreneurship and entrepreneurial failure has been deepened by defining a model that shows the relationships between fear and risk perception and the evaluation of the likelihood of failure, as well as the relationships between wellbeing and risk propensity and the probability of failure. It was concluded that neither risk perception nor risk propensity are related to entrepreneurs' evaluations of the potential failure of their companies. On the other hand, the previous failure influences both risk perception and risk propensity.

Therefore, from a practical standpoint, this study offers valuable insights for entrepreneurs to understand the significance of their emotions and strive to understand themselves better, which may result in improved performance. Additionally, this knowledge can aid in enhancing entrepreneurship training programs by exploring the relevance of emotions such as fear and wellbeing, among others, in entrepreneurs' decision-making and analysis processes. This understanding can help aspiring entrepreneurs effectively manage their emotions to elevate their performance.

1.5. Thesis structure

This thesis is composed of seven chapters. Chapter 1 is a general introduction addressing several issues, including the problem statement, research objectives, study context, conceptual model, research design and methodology, research contribution, and thesis structure.

Chapter 2 comprises a SLR, focusing on peer-reviewed English articles published in journals searched on the Web of Science Core Collection database, which allowed us to advance to the following ones by identifying relevant areas of study for the topic and existing gaps that made sense to investigate to increase knowledge about microenterprise failure.

Chapters 3, 4, 5, and 6 include the fourth empirical essays that addressed entrepreneurial failure by focusing on its causes and consequences, learning, fear, and the quantification of the impact of emotions, such as fear and wellbeing, on risk and entrepreneurs' assessment of business success, which allowed for a deeper understanding of the problem of microenterprise failure in Portugal.

The last chapter (chapter 7) involves the general conclusions, where the general conclusions, final considerations, implications, limitations and future lines of research are presented. Table 1.1 summarises the design, sample, and methods employed in each essay.

Essays	Design	Sample	Method
1*	The objective of the RSL was to identify the state of the art on entrepreneurial failure and identify gaps that could be addressed. Three clusters – causes, learning, and fear – emerged, which were the focus of this research to fill some of the gaps found, namely how the stakeholders perceive failure, entrepreneurs and their respective families.	WoS database	Systematic Literature Review
2	The failure of Portuguese microenterprises was studied by analysing their causes and consequences from the entrepreneur's perspective. The aim was to understand what affects the probability of failure and its consequences. At a later stage, the role of the entrepreneur in both the causes and consequences was examined, as well as the relevant role of families. For this purpose, several entrepreneurs whose companies had failed were interviewed, ensuring that the sample was diverse in several aspects, such as gender, age of the entrepreneur and company, sector of activity, level of education, and personal characteristics.	16 portuguese microentrepreneurs	Qualitative Multiple Case Study
3	Learning is a constant in entrepreneurship, and this study aimed to understand what entrepreneurs consider to have learned from their entrepreneurial journey and failure and what consequences that learning had.	16 portuguese microentrepreneurs	Qualitative Multiple Case Study
4	Fear is inseparable from entrepreneurship because risk and uncertainty are constant. The micro-entrepreneurs' lives are highly dependent on the performance of their companies, which are almost like another family member, contributing to the fear	14 portuguese microentrepreneurs	Qualitative Multiple Case Study

	they feel. Therefore, the study of entrepreneurship is incomplete without the study of fear, as it significantly impacts the entire entrepreneurial process. The objective of this study was to understand the fear felt by entrepreneurs throughout the life of their companies and during failure and the impact it has on the lives of entrepreneurs and their families.		
5	One of the conclusions drawn from previous exploratory studies was that emotions are critical in entrepreneurship because they heavily influence entrepreneurs' decisions. Therefore, it made sense to conclude this study on entrepreneurial failure by attempting to understand the impact of a positive emotion – wellbeing – and a negative emotion – fear – on the evaluation and posture towards risk and on the success/failure that entrepreneurs consider their companies to have, and how a previous failure impacts on these emotions and on risk. These issues are still poorly studied and are crucial to understanding entrepreneurship and entrepreneurial failure.	212 entrepreneurs who answered a questionnaire	Structural equation modeling Path analysis

* Lemos Costa, P., Ferreira, J., Torres, R. (2023). From entrepreneurial failure to re-entry, *Journal of Business Research*, https://doi.org/10.1016/j.jbusres.2023.113699

Table 1.1. Systematization of the methods adopted

CHAPTER 2 - From entrepreneurial failure to re-entry

2.1. Introduction

Entrepreneurship is central to sustainable economic growth, as it has a significant impact on innovation, job creation, and an increase in the production of economic good and services (González & Fuentelsaz, 2015), and contributes to economic and social stability (Ferreira et al., 2017). Having that in mind, it should not come as a surprise that Klein (2008) found that entrepreneurial activity has increased in recent years in many sectors of the economy, with academia following suit in its study (Davidsson & Gruenhagen, 2020).

Although entrepreneurship is crucial for the economy and society, failure often occurs and has various causes (Samuels et al., 2008). Several studies confirm the high number of companies that fail during their entrepreneurial efforts, for example, Artinger and Powell (2016), Hogarth and Karelaia (2012), and González and Fuentelsaz (2015). The conceptual definition of EF is complex and very varied. The literature presents several definitions: termination to prevent large losses (Ulmer & Nielsen, 1947), "failure should mean inability to 'make a go of it' whether losses entail one's own capital or someone else's" (Cochran, 1981, p. 52), the liquidation or sale of the company (Thompson, & Strickland, 2001) bankruptcy (Zacharakis et al., 1999), absolute insolvency (De-Castro et al., 1997), or the cessation of business for any reason or bankruptcy (Watson & Everett, 1996). This lack of conceptual clarity is problematic for advancing the EF field theoretically, as it entails a dispersion of knowledge on related constructs.

From a practical and economic view, EF is also critical to study because it has important consequences not only on the lives of entrepreneurs but also on the lives and communities of those around them (Klimas et al., 2020). Furthermore, EF might entail severe economic consequences, as there is economic value that is lost, innovations that are not implemented or further developed, or jobs that are lost. Therefore, EF, not least because of its high prevalence, is increasingly being perceived as an important aspect of entrepreneurship that should be understood in more detail (Jenkins & McKelvie, 2016).

Five SLR were found that address the topic of EF in various ways (Table 1, page 8). Klimas et al. (2020) focus on the effects of failure; Lattacher and Wdowiak (2020) focus on learning arising from failure; Cacciotti et al. (2016) analyse fear; and the studies by Diáz-Casero et al. (2014), and Kücher and Feldbauer-Durstmüller (2019) carry out a bibliometric analysis, identifying the most productive authors and journals in this area of study and the most relevant keywords, based on a multiplicity of documents (articles, books, study notes, social networks, and others).

However, and to the best of our knowledge, the existing literature has yet to make a holistic and systematic analysis of the different dimensions of EF, to identify the antecedents and outcomes – and also what it takes for a re-entry, which is the objective of this paper. This is important because we should be able to help inform entrepreneurs and academics about what EF is, its causes, and its consequences, so we can help to, first, limit EF, but when it happens, inform what can be done to mitigate its dark side and if possible help with re-entry. As Cardon and McGrath (1999) explain, the very public nature of failure, being observed by family, friends, and network contacts, can lead to negative feelings of humiliation or remorse.

That said, and on the other hand, failure, being one of the most difficult and complex but valuable experiences that entrepreneurs may be lucky or unlucky enough to experience (Cope, 2011), has an important consequence: learning. Research on entrepreneurship-related learning from failure emerged over 15 years ago (Shepherd, 2003) and has increased in recent years (over half of all studies on the topic have emerged since 2015). Studies are found on the individual's knowledge before failure (e.g. Huovinen & Tihula, 2008; Politis & Gabrielsson, 2009; Politis, 2005) on personality traits such as narcissism (e.g. Liu et al., 2019), on attributing failure to certain specific causes (e.g. Eggers & Song, 2015; Walsh & Cunningham, 2017; Yamakawa et al., 2013) and on emotions (e.g. Dias & Teixeira, 2017; Shepherd, 2003; Shepherd et al., 2009).

EF is an especially critical event often provoking important learning for the entrepreneur (Lattacher & Wdowiak, 2020), which is in line with entrepreneurial learning theory that states that experiences of discontinuity during the entrepreneurial process can stimulate distinct forms of higher-level learning that prove critical for the entrepreneur, both personally and entrepreneurially (Cope, 2011). For learning to have a positive impact, entrepreneurs must have the capability to implement in another business what they have learnt from the previous failure (Yamakawa & Cardon, 2015), and knowledge transfer is important. Indeed, the attention placed on knowledge transfer (Rerup, 2005), as well as the temporal proximity between two ventures (Eggers & Song, 2015), influence the effectiveness of learning (Lattacher & Wdowiak, 2020).

In this systematic literature review, we establish the causes of EF, its economic impacts, and psychological effects, such as learning, fear, and re-entry. We contribute to theory in three ways. First, we map the entrepreneur's journey from the causes of EF until re-entry. Second, we address the challenges facing the EF phenomenon, specifically the main domains of EF research and the implications of boundary and interplay in this field. Third, we open the black-box of re-entry by uncovering the antecedents, mechanisms, and triggers that lead entrepreneurs to re-entry. The EF is due to causes inherent to the company and the cultural environment where it is located, or to the entrepreneur and his personal characteristics, being mediated by the institutional environment. A key element in this process is learning, which also has a strong psychological component and which, if it happens, increases the entrepreneur's knowledge with

implications for re-entry. Central to the entire entrepreneurial process is fear, also closely related to the entrepreneur's psychological characteristics, but influenced by the family, society and culture in which the company operates. Both learning, but especially fear, have a very strong impact on re-entry, which can prevent or induce it, depending on how the entrepreneur recovers from this whole process.

One of the contributes of this SLR is to synthesize what we know and what we do not know about the entrepreneurial failure, i.e. to offer a state-of-the-art overview of this research field. We developed a research model which might be used as a basis for further (empirical) research (Kraus et al., 2020). We also included a well-grounded substantial research agenda on which other researchers can build to advance the field (Snyder, 2019).

From a practical point of view, another contribution of this article concerns the possibility that the resulting research can help policy makers and legislators in the area of entrepreneurship to work towards reducing the probability of failure of companies. In terms of training in management and entrepreneurship, this knowledge is relevant for the development of courses that give future managers and entrepreneurs a more in-depth knowledge about failure, which allows them to avoid it whenever possible, and when such if it is not possible, help them, on the one hand, to react and reduce their negative consequences and, on the other hand, boosting their future re-entry into business.

This article is structured as follows. First, the theoretical background and conceptual understanding of EF, in its various aspects, is provided through a literature review. Second, the methodology is presented, specifically, the systematic review approach, and this is followed by the results and their discussion. Finally, we conclude with a summary and proposals for future research.

2.2. Theoretical background: entrepreneurship and entrepreneurial failure

Entrepreneurship can be defined as the development of an idea from its conceptualisation to achieving its sustainability, frequently through an economic view. It is a complex process that combines moments of opportunity and risk (Pardo & Alfonso, 2017). It involves mobilizing resources to pursue opportunities, from which results the foundation of a new business (Aldrich, 1990). Entrepreneurship can also be seen as the set of activities through which innovations change existing production factors in the industrial and service delivery sectors (McGrath, 1999).

Interlinked with entrepreneurship is the entrepreneurial ecosystem, which can be defined as the density of entrepreneurial activity. This is influenced by the fluidity of market inputs and outputs, the connectivity of those involved, and the diversity of the skills, tools, and ideas they bring into the system. Context is a relevant factor for these ecosystems, as the community, governments, or competition each have an impact, by favouring or restricting entrepreneurial activities (Simmons et al., 2019). One of the main characteristics of entrepreneurship is the assumption of risk and, as a consequence, the probability of failure (Carroll, 2017). National culture and how it views failure affect the entrepreneurial behaviour of individuals (Wennberg et al., 2013).

Failure might cause significant physical and psychological damage, lower self-esteem levels, and cause problems in entrepreneurs' relationships with others (Cope, 2011; Liu et al., 2019; Omorede, 2021). The literature sees failure of a specific enterprise as the end of an initiative that fell short of its goals (McGrath, 1999), and it can happen when the entrepreneur underperforms or fails to achieve their desired goals (Atsan, 2016). EF can also arise from a drop in revenue and/or an increase in expenditure of such magnitude that the firm becomes insolvent and is unable to attract new funding, and consequently cannot continue to operate under its previous conditions (Shepherd, 2003); or from the cessation of an entrepreneur's involvement because minimum objectives previously set have not been achieved (Yu et al., 2020). Singh et al. (2007) consider that EF may happen due to economic factors, such as bankruptcy or insolvency, or other causes, such as insurmountable disputes or the entrepreneur's legal and/or personal problems.

However, failure should not be understood in situations where, for reasons such as illness, more profitable business, retirement, and so on, the entrepreneur closes the business or abandons it (Khelil, 2016). Revilla et al. (2016) point out that discontinuing a business can not only be a result of poor performance, it can be a decision. These arguments are based on behavioural theory, which suggests that firms pursue different objectives, economic and noneconomic, which reflect the different alliances between individuals who belong to the organisation.

Failure can also be seen as a psycho-economic phenomenon characterized by the entry of an organisation into a spiral of poor performances (possibly leading to insolvency), which places the entrepreneur in a negative psychological state for having failed to meet their own expectations. This process covers three aspects: the causes, the event, and the effects (Klimas et al., 2020). One should not compare failures in different situations, such as different cultures or sectors (McGrath, 1999), as multiple variables influence the process and must be taken into account to understand what happened.

Feelings of guilt, shame, embarrassment, and self-accusation are some of the negative emotions that entrepreneurs experience as a result of failure (Shepherd, 2003), and which are more or

less compounded by the cultural rules, formal or informal, that influence the likelihood of entering, exiting, and re-entering business (Simmons et al., 2019). How EF is perceived and reported by the entrepreneur who has experienced failure is influenced by stakeholders' cognitive and emotional needs, and influences the ability to maintain high self-esteem and recover from the loss. Also relevant is how society perceives that failure and the individual who has failed (Mantere et al., 2013).

The causes may be inherent to the entrepreneur himself, such as mistakes (Cardon et al., 2011) or overconfidence (Hogarth & Karelaia, 2012), personality and personal values (Klimas et al., 2020), lack of skills and tools, or lack of liquidity (Guerrero & Espinoza-Benavides, 2020) The causes can also be external, such as the characteristics of markets (Artinger & Powell, 2016), noncontrollable situations (Cardon et al., 2011), the institutional environment (García-Ramos et al., 2017), or competition (Klimas et al., 2020). Other aspects relevant to the success of ventures are the effects on the business of the entrepreneur's family (Revilla et al., 2016) or of discrimination (Samuels et al., 2008).

Even if the causes may vary, it is well established that EF entails learning, even if it is implicit (Mantere et al., 2013), and this can occur in various ways and for various reasons. Through reflection and analysis of a situation that has happened, knowledge, skills, and experience are acquired; that is, learning gives meaning to lived experience (Yamakawa & Cardon, 2015). The evaluation of certain situations becomes simpler and more accurate if they can be related to previous experiences (Hogarth & Karelaia, 2012), which induces path-dependency learning from previous negative experiences. Thus, following a failure, subsequent success might be possible because the individual learns and can understand what works and what does not work (Yamakawa & Cardon, 2015).

Learning brought about by a previous EF allows opportunities to be identified (Shane, 2000) and exploited (Shane & Khurana, 2001). It happens when one can use the information about failure to understand the consequences of previous actions (Shepherd, 2003). Learning is not always possible, however, and depends on motivation, so personal characteristics such as narcissism (Liu et al., 2019), or resilience (Corner et al., 2017), or grief (Shepherd, 2003) have an impact on the ability to learn, allowing the individual to recognize opportunities and overcome obstacles to move on to new ventures (Atsan, 2016).

Pain is an aspect that should not be overlooked as a consequence of EF. Pain is a negative emotional response that interferes with how information is processed, and should be taken into account when studying learning (Shepherd, 2003). Unlike pain, spirituality facilitates learning, since the individual deeply analyses the failure, opens up to pain, and can identify the causes of that failure, which will allow for more effective learning. This can be useful not only for overcoming the current crisis but also to opening future businesses (Singh et al., 2016).

Therefore, FoF is a reality and an important part of entrepreneurship experience, which often leads to avoidance (Cope, 2011), and can also be a consequence of failure. The obstacles encountered during the initial phase of creating a business often trigger this FoF, leading entrepreneurs to devalue opportunities and give up on the business idea (Kollmann et al., 2017). FoF encompasses the fear of an uncertain future, fear of shame and embarrassment, fear of upsetting close people (family, friends), and fear of broken self-esteem, and these are social costs that carry the most weight for not starting a business (Ng & Jenkins, 2018). An individual's FoF is thought of as a self-assessment framework that influences how they define, orient, and experience failure (Wennberg et al., 2010), especially as it relates to risk-taking behaviour (Caraway et al., 2003). This fear has a major influence on individuals' motivation to achieve and their occupational aspirations (Wennberg et al., 2013), including decisions about whether or not to take advantage of a business opportunity (Welpe et al., 2012). It is affected by national culture, impacting regional rates of entrepreneurship (Vaillant & Lafuente, 2007).

To highlights the gaps this SLR fills, Table 2.1 presents the results of the five reviews found on EF, highlighting the findings and the future research proposed by the authors. The aim of this article was to do a holistic and systematic analysis of the different dimensions of PE, identifying the antecedents and outcomes – and also what is needed for re-entry. This is the aspect that distinguishes this review from the others mentioned in table 2.1.

2.3. Methods

We adopted a SLR approach for our study. SLR aims to identify all empirical evidence that fits the specified inclusion criteria to answer a specific research question or hypothesis (Snyder, 2019). Its development follows a set of rigorous, predefined procedures that enable knowledge development, minimization of bias, and research replicability (Lattacher & Wdowiak, 2020; Snyder, 2019; Torraco, 2016). It provides a comprehensive overview of the literature related to a particular topic, synthesizing previous studies and strengthening knowledge creation, as it identifies gaps in previous studies and inconsistencies that allow finding new avenues of research (Paul & Criado, 2020). To identify and synthesize the different approaches to reviewing previous studies of EF, the first stage of data collection was performed in the Web of Science Core Collection database (Indexes: SCI-EXPANDED, SSCI, A&HCI, CPCI-S, CPCI-SSH, ESCI, CCR-EXPANDED, IC). To ensure a high level of transparency and as suggested by Kraus et al. (2020) we chose to use WoS as a database because it contains the highest quality and most prestigious publications, giving guarantee of the quality of the studies to be included in this SLR (Baltazar et al., 2023). Our research dataset was built on 20 February 2022 without any chronological filter.

Author	Objective	Findings	Future research
Cacciotti et al. (2016)	Outline the nature of fear of failure in a business environment more precisely	- Robust conceptualization of fear of failure in entrepreneurship; - Transform abstract dimensions of fear appraisal into relevant appraisals such as fears over financial security; - Develop a more dynamic view of entrepreneurial thinking and feeling that captures how the cognitive, emotional and motivational aspects of entrepreneurship interact in specific social situations.	- Examining the impact of fear of failure on specific actions undertaken throughout the entrepreneurial process; - Understanding how and why people react differently to the experience of fear of failure throughout the entire entrepreneurial process; - Study the role of dispositional factors; - Exploring the fear of failure at team and organizational levels.
Diáz-Casero et al. (2014)	Address the state of the art of entrepreneurial failure through the analysis of joint citations of scientific articles	- This review analyses the journals and authors that publish the most on the fear of failure topic, and the most cited.	- Studying the documents found in others data bases; - Doing a meta-analysis of the studies found in order to obtain the homogeneous factors of entrepreneurship failure.
Kücher & Feldbauer-Durstmüller, (2019)	To structure existing research with the help of bibliometric methods and present developments in research between 1982 and 2016.	- Gives a quick but comprehensive overview of key relationships within this field of research, that constitutes a solid base for complementary qualitative studies and analyses of more restricted subfields of fear of failure research; - Describes the evolution of concepts over time; - Based on the co-citation visualization and citation frequencies, the clusters "organizational ecology and industrial organization" (Cluster 1) and "entrepreneurial failure" (Cluster 2) are identified;	- How emotional outcomes of failed entrepreneurs differ between the reasons that led to entrepreneurial failure; - How attributional bias is potentially affected by emotions of failed entrepreneurs, their perceived levels of fear of failure, or reasons why or how they have quit their businesses; - How stigmatization of failed entrepreneurs affects learning from their failures and therefore future entrepreneurial activities; - Investigating organizational failure from a multilevel view integrating sociological, strategic and psychological issues would benefit future research; - Develop a common theory and definition of fear of failure to simplify comparisons across studies and provide a common framework for future studies; - Integrate the deterministic, voluntaristic, and emotive perspectives.
Klimas et al. (2020)	Integrate knowledge about the effects of business failure from a systematic literature review, developing a multilevel framework of the effects of entrepreneurial failure.	- EF is a multilevel process that brings different types of effects staggered over time; - It shows a framework that synthetises entrepreneurial failure process: from antecedents to long-term outcomes;	- It is necessary studies covering all entrepreneurial failure components, from entrepreneurial failure antecedents to ending with recognition of its heterogeneous outcomes identifiable in a long-term perspective and on several levels of analysis; - The causes of entrepreneurial failure take different forms, so it would be interesting to explore the potential links among those varieties; - Measure entrepreneurial failure effects.
Lattacher & Wdowiak (2020)	This article systematically collects relevant literature, defines the phases of the learning process through experience, and identifies promising avenues for future research.	- Assign and structure the literature according to four stages of learning (concrete experience, reflexive observation, abstract conceptualization and active experimentation) that range from the initial experience of business failure to the eventual application of lessons learned in, for example, a new entrepreneurial episode.	- To understand the determinants that shape the perception of the criticality of business failure; - To examine the role of the social environment (e.g. the family) on reflective observation, including the influence on the perception of failure and the emotional response of the entrepreneur; - Identify links between particular influencing factors and subsequent learning outcome dimensions.

Table 2.1. Summarising the systematic literature reviews of entrepreneurial failure

We conducted a Boolean keyword search on the topic (title, keywords, and abstract) that included: "entrepreneur* OR venture OR firm OR business" AND "failur* OR closure OR liquidation OR insolvency OR bankruptcy". The search produced a total of 28,639 articles. In line with similar reviews (Delgado García et al., 2015; Theodoraki et al., 2022), we limit our search to articles written in English published in peer-reviewed journals in management, which resulted in 5,905 articles; and then, to ensure quality control and to capture publications of greater academic impact, we selected only 3, 4 and 4* top-ranked journals from the ABS Academic Journal Guide 2021 (Kücher & Feldbauer-Durstmüller, 2019) (see Appendix 2A). In this phase, we obtained 1,196 articles. After splitting the articles by the three coauthors, we read the titles, the abstracts, (Pittaway et al., 2004) and the conclusions and excluded all articles that were not related to "the cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the entrepreneur" (Ucbasaran et al., 2013, p. 175). Data extraction was done by the three authors to overcome the bias, prevent missing important data and create a higher level of objectivity (Kraus et al., 2020). When in doubt, one of the coauthors sent the title and the abstract to a second coauthor to make sure that the exclusion criteria was being followed in a systematic way (Xi et al., 2013). The final sample comprised 86 articles (see flowchart in Figure 2.1). The 1,110 articles excluded referred to contexts different from that desired for this work, such as the creation of companies or their financing; entrepreneurial success; the motivating effects of policy or legislation for entrepreneurship; business ethics; and the failure of alliances, networks, projects, innovation, or of teams; among several others. Thus, to be included in the study, the articles had to refer to EF that implied causes or effects arising from the disappearance of the company for negative reasons specifically to do with entrepreneurs. Summaries of studies in our sample are presented in Appendix 2B.

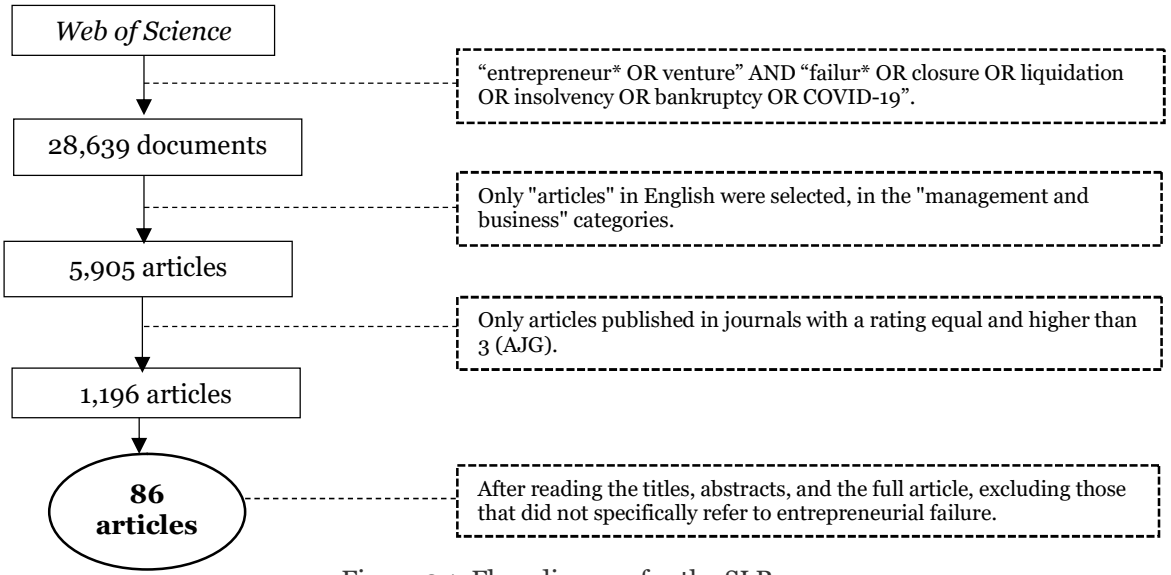
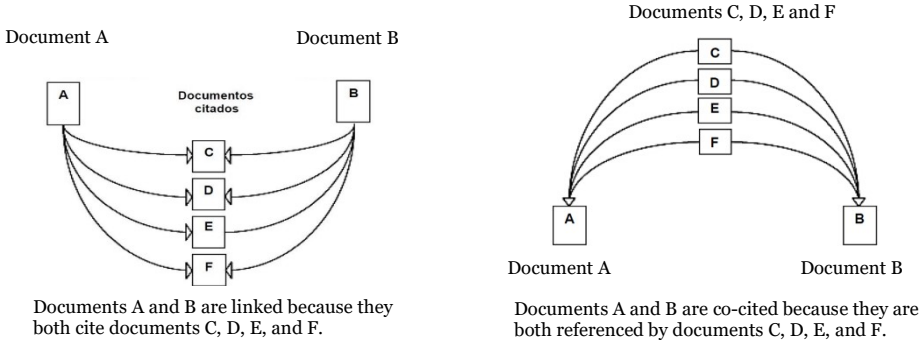


Figure 2.1. Flow diagram for the SLR.

In light of the defined research objective, we opted for a bibliographic coupling (BC) analysis (Baltazar et al., 2023) rather than a study of cocitation coupling because, although it is less used, it has clear advantages for the present study. According to Glänzel (2003), this method allows obtaining information about the evolution of studies in a given scientific area. In addition, the time interval may be high before there is a sufficient number of articles on a new research topic to produce the publications with a sufficiently high number of citations to allow the mapping of cocitations (Hicks, 1987). From an information retrieval point of view, cocitation coupling restricts the analysis to frequently cited articles, whereas the BC method extends to virtually all publications. In this method, it is assumed that, if two articles refer to the same source, they present theoretical and/or methodological proximity (Kessler, 1963) with AB occurring when two documents refer to at least one publication in common (Figure 2.2).



Source: adapted from Garfield (2001)

Figure 2.2. Differences between BC and co-citation coupling methods

Thus, in VOSviewer, the BC method was selected as the criteria for grouping articles, with the unit of analysis being "documents" and the "full counting" method, defining 1 as the minimum number of citations per article. These criteria were met by 86 of the bibliographic references, obtaining three clusters, with 45, 24, and 17 articles each, respectively.

2.4. Results

2.4.1. Descriptive data

Figure 2.3 shows the evolution of the number of publications and citations over the period under analysis (1996–2022). The number of publications over the years varies greatly. The first articles are from 1996, and from 2005 there have been articles published every year on this topic, with an upward trend until 2019, when 10 articles were published, from which point a decrease in publications is seen. The total number of citations of the articles under study is 10,419 (10,044 without the self-citations), with an average value of 108.53 per article, and an h-index of 49. These articles make 7,557 citations (7,485 without the self-citations).

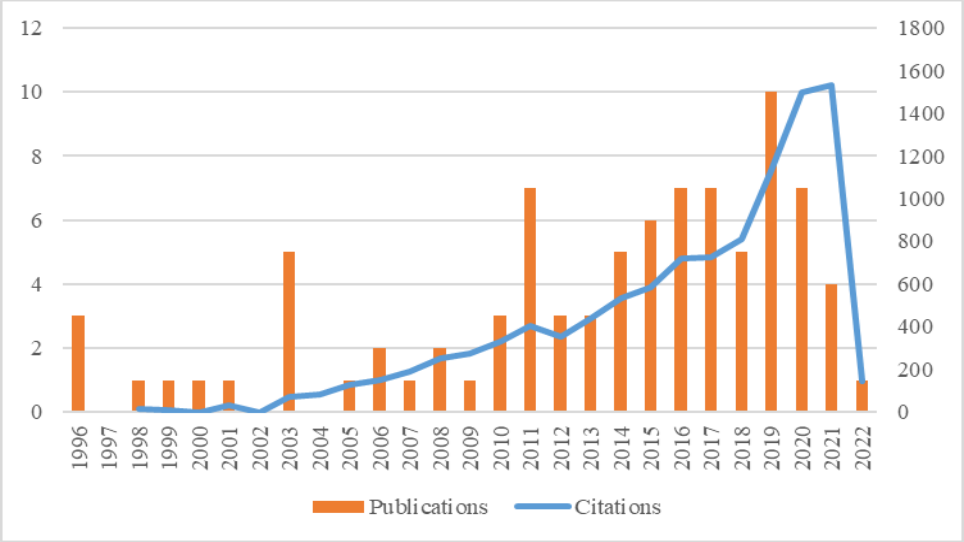


Figure 2.3. Evolution of the number of publications and citations per year

Figure 2.4 shows the six journals that publish the most on EF: the Journal of Business Venturing, Journal of Business Research, and Small Business Economics. The authors who published the most on the topic of EF were Shepherd, Amankwah-Amoah and Wiklund, respectively, with eight, five, and four articles, respectively (Figure 2.5). In terms of countries, we can see (Figure 2.6) that the country with the largest number of publications is the United States, with 47 published articles, followed by England with 22. Most studies use quantitative methodology (60 articles). Fourteen articles adopted qualitative studies, one article used both methods, none are conceptual, and three are reviews (Figure 2.7).

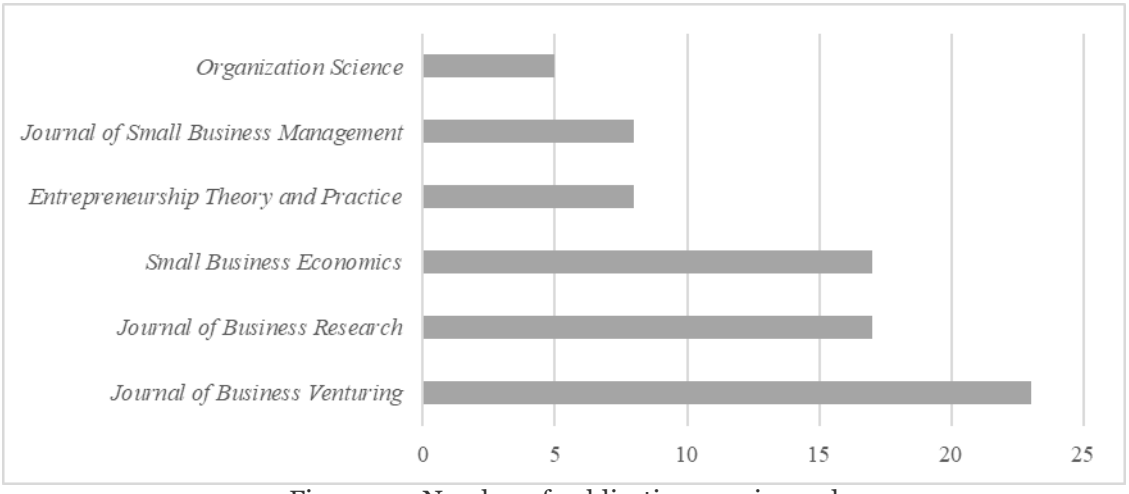


Figure 2.4. Number of publications per journal

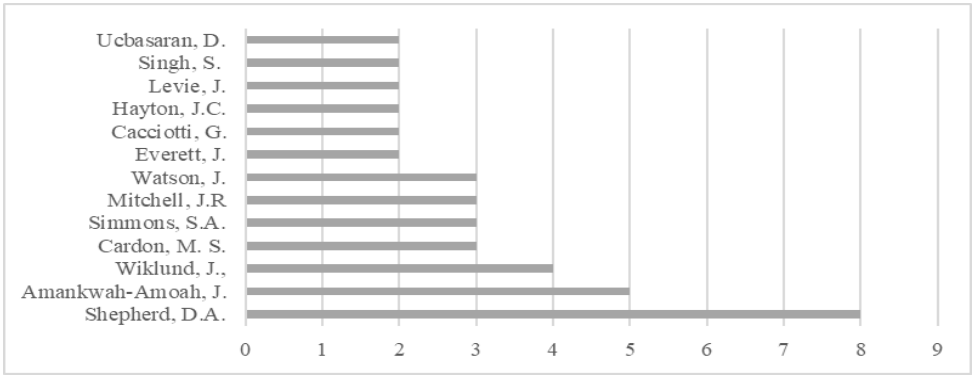


Figure 2.5. Number of articles per author

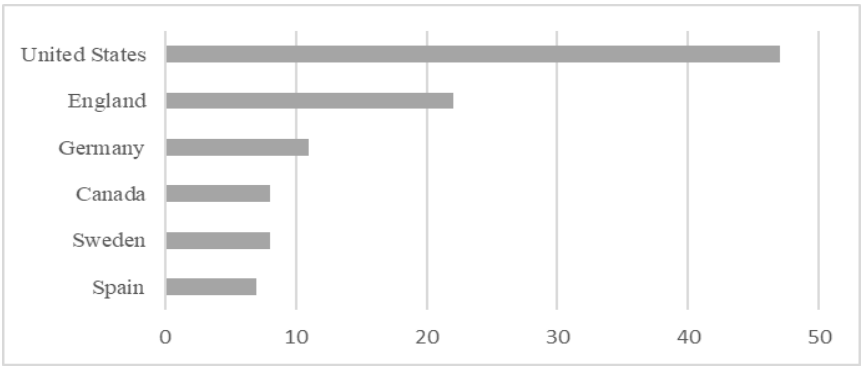


Figure 2.6. Number of publications by country

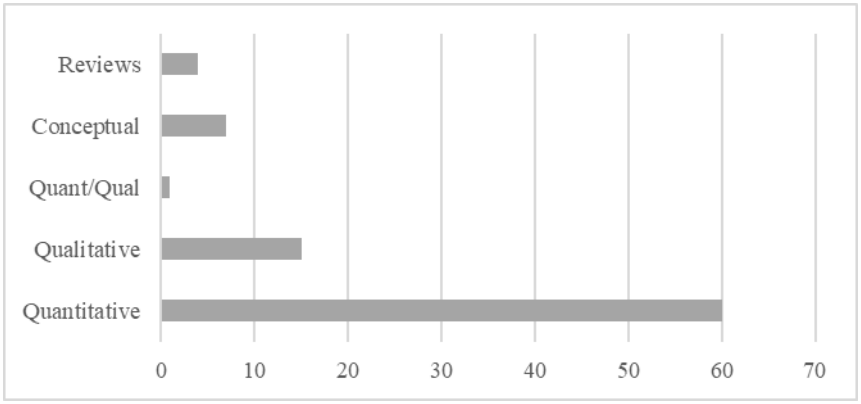


Figure 2.7. Number of articles per method

2.4.2. Bibliographic coupling: cluster identification

The 86 articles were subjected to a bibliometric analysis using the VOSviewer software (v.1.6.16), specifically designed to create bibliometric maps (van Eck & Waltman, 2010). From

the bibliographic coupling analysis performed in VOSViewer, described above, three clusters resulted (Figure 2.8). The cluster with the highest number of articles, 45 articles (red cluster), has the causes of entrepreneurial failure as its main theme. The other two clusters have 24 (green) and 17 (blue) articles. The main theme of the second cluster is learning, and of the third fear. See Appendix 2B.

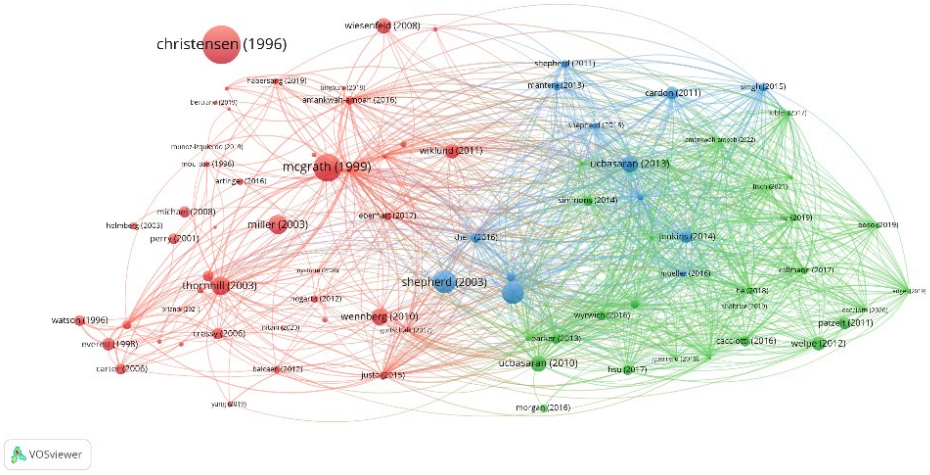


Figure 2.8. The clusters obtained with VOSViewer

Figure 2.9 shows the evolution of publications by cluster. Cluster 1, which studies the causes of failure, has articles published since 1996, with 2019 the year with the most publications (six). In cluster 2 (learning), the first article appeared in 2003, and there have never been more than four publications per year. Cluster 3 (fear) started to be studied later, with the first article published in 2010. Therefore, it can be seen that the topic that has raised most interest is the causes of entrepreneurial failure, which has been studied for longer and more regularly. Table 2.2 shows the authors included in each cluster and a brief characterisation of each cluster.

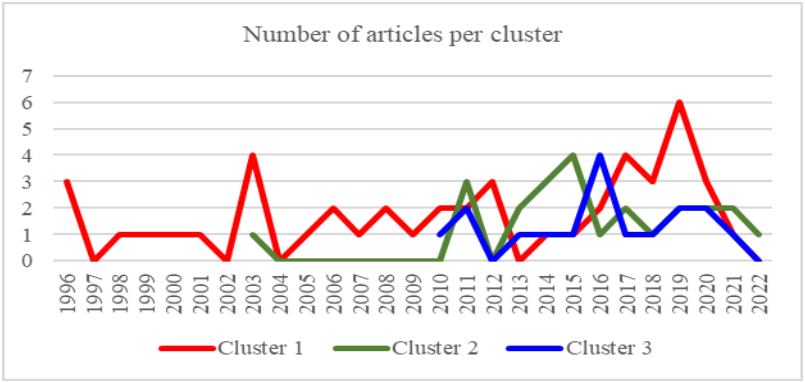


Figure 2.9. Number of articles per cluster

Clusters	Authors	Content
Cluster 1: Causes of failure (45 articles: 52% of the articles)	(Almus, 2000; Amankwah-Amoah, 2014, 2016; Amankwah-Amoah et al., 2017; Arcuri & Levratto, 2020; Artinger & Powell, 2016; Balcaen et al., 2012; Bertrand & Parnaudeau, 2019; Carter & Van Auken, 2006; Christensen & Bower, 1996; Cressy, 2006; Dou & Li, 2012; Eberhart et al., 2017; Eklund et al., 2020; Everett & Watson, 1998; Gottschalk et al., 2017; Habersang et al., 2019; Harada, 2007; Hogarth & Karelaia, 2012; Holmberg & Morgan, 2003; Justo et al., 2015; Karabag, 2018; Knott & Posen, 2005; Kücher & Feldbauer-Durstmüller, 2019; Martinez et al., 2018; McGrath, 1999; Michael & Combs, 2008; Miller et al., 2003; Moulton et al., 1996; Muñoz-Izquierdo et al., 2019; Nitani et al., 2019; Nyström, 2020; Orlandi et al., 2021; Pal et al., 2011; Perry, 2001; Thornhill & Amit, 2003; Tingbani et al., 2019; Van Auken et al., 2009; Watson, 2003; Watson & Everett, 1996; Wennberg et al., 2010; Wiesenfeld et al., 2008; Wiklund & Shepherd, 2011; Yang & del Carmen Triana, 2017; Zhang et al., 2018)	The causes may be external (institutional and discriminatory environment, economic/financial, terrorism or family), internal (related to previous successes or failures, over-confidence, comparative optimism or personal incapacity), and climate change (hurricanes, fires, droughts, floods). 65% of the papers are quantitative, 20% qualitative, 10% conceptual, and 5% are reviews.
Cluster 2: Learning (24 articles: 28% of the articles)	(Amankwah-Amoah et al., 2021, 2022; Boso et al., 2018; Cardon et al., 2011; Cope, 2011; Fisch & Block, 2020; He et al., 2017; Jenkins et al., 2014; Khelil, 2016; Kibler et al., 2017; Klimas et al., 2020; Lee et al., 2021; Liu et al., 2019; Mantere et al., 2013; Mueller & Shepherd, 2014; Shepherd & Haynie, 2011; Shepherd, 2003; Shepherd & Patzelt, 2015; Simmons et al., 2014, 2019; Singh et al., 2015; Ucbasaran et al., 2013; Yamakawa et al., 2013; Yamakawa & Cardon, 2015)	Failure implies (or not) learning, which is influenced by the entrepreneur's emotions, attributions, and personality (narcissism, optimism, and resilience). Support (family or society/institutional) positively impacts recovery and re-entry into the business. The knowledge that stems from learning positively impacts the various consequences of failure. 65% of the papers are quantitative, 19% qualitative, 4% both of these, 4% conceptual, and 8% SRL.
Cluster 3: Fear (17 articles: 20% of the articles)	(Allen et al., 2020; Baù et al., 2016; Cacciotti et al., 2016, 2020; Eggers & Song, 2015; Engel et al., 2019; Guerrero & Peña-Legazkue, 2018; Hsu et al., 2015; Kollmann et al., 2017; Lin & Wang, 2019; Morgan & Sisak, 2016; Parker, 2013; Patzelt & Shepherd, 2011; Shahriar & Shepherd, 2019; Ucbasaran et al., 2010; Welpe et al., 2012; Wyrwich et al., 2016)	Fear has a strong impact on the entrepreneurial will, both through an economic and psychological component. Previous successes or failures influence it by the institutional context, positive / negative role models, and the surrounding society and culture. Knowledge and learning significantly impact fear, reducing it and enhancing entrepreneurship. 88% of the papers are quantitative, 6% qualitative, and 6% are conceptual.

Table. 2.2. Authors by cluster

2.4.3. Entrepreneurial failure: thematic groups

2.4.3.1. Causes of failure (cluster 1, n = 45)

Cluster 1 focuses on EF and its causes. It is the theme of most interest to researchers and comprises the largest number of publications (45). Watson and Everett (1996) call attention to the fact that there are many ways of understanding failure – bankruptcy, prevention of further losses, failure in the pursuit of established goals, discontinuation of ownership and discontinuation of the company – which change the values associated with failure, since the broader the definition, the higher the failure rate. Entrepreneurs leave companies when they both experience financial difficulties and perform well (Wennberg et al., 2010), so failure should be concretely defined for this topic. Wiklund and Shepherd (2011) find that a minimum performance is required to be successful, below which the firm fails. Thus, entrepreneurial failure can be considered when the company ceases its activity and loses its identity due to the inability to respond and adapt to changes in the external environment in a timely manner (Amankwah-Amoah, 2016). Failure occurs when the performance of an initiative fails to meet goals (McGrath, 1999; Ucbasaran et al., 2010) or pre-established performance standards (Yamakawa & Cardon, 2015).

Entrepreneurial orientation from an experimentation perspective shows a positive relationship with failure (Wiklund & Shepherd, 2011), which is at odds with most previous entrepreneurial orientation studies. It has been found that years before the company closes, its performance starts to deteriorate (Almus, 2000). Failure happens by not anticipating, recognizing, avoiding, neutralizing, and adapting to external or internal pressures that threaten the company's long-term survival (Amankwah-Amoah, 2016). Audit reports are a good explanatory and predictor of entrepreneurial failure (Muñoz-Izquierdo et al., 2019), and can be used to reduce the probability of failure. This is in line with integrating exogenous and endogenous factors to offer a more complete explanation of the causes of entrepreneurial failure (Muñoz-Izquierdo et al., 2019); Thornhill & Amit, 2003).

Habersang et al. (2019) propose that processes leading to failure can be grouped into four models (imperialistic, laggard, villainous, and politicised), where each occurs through two different mechanisms: rigidity and conflict. Small businesses close due to economic and noneconomic causes (e.g., age or illness), with the former significantly more likely if the entrepreneur is relatively young and male, the firm has bank loans, and sales show a downward trend (Harada, 2007).

However, failure is caused by both internal and external causes (Muñoz-Izquierdo et al., 2019) and, often, internal and external causes have mutual implications (Amankwah-Amoah, 2016) that can result from poor adaptation, misallocation of attention and internal deficiencies in the sensitivity and ability to analyse changes in markets, loss of resources in markets with high uncertainty, and asymmetries in information (Zhang et al., 2018). Aspects such as higher labour costs, an ageing society, overcapacity in some sectors, the development of the internet or anticorruption campaigns can cause business transitions, increasing the likelihood of failure (Zhang et al., 2018).

The causes of failure that relate to the entrepreneur can be the mistakes they make, or overconfidence (Artinger & Powell, 2016); entry into riskier markets, an important factor in business failure, relates to overconfidence by the entrepreneur – but entry into riskier markets is not always due to overconfidence (Hogarth & Karelaia, 2012). In more financially developed regions, firms use more debt, which strongly affects their financial decisions, with the greater availability of bank credit providing firms with more potential to grow and survive, especially in the case of small and new firms (Artinger & Powell, 2016).

Adverse rumours and misinformation perpetrated by rival firms to harm small firms can lead them to failure without them realising it (Amankwah-Amoah et al., 2017), drawing attention to the role of interfirm relationships. The financial literacy of the general population is low, leading to poor financial decisions by entrepreneurs, which are key factors in the high failure rates of new businesses, which in turn leads to job destruction; and when entrepreneurs have less self-confidence, they doubt their abilities and ask for advice more often (Nitani et al., 2019). Lack of digital skills is also associated with high failure rates (Orlandi et al., 2021). Failure among younger firms can be attributed to a lack of valuable resources and capabilities, while older firms are more vulnerable if they fail to adapt to the demands of ever-changing competition in an environment also undergoing profound change (Thornhill & Amit, 2003). A new cause of failure, so far not very significant, is financial losses caused by climate change (hurricanes, fires, droughts, floods, and inundations), which are becoming increasingly serious and more frequent, with especially negative consequences for new and small companies (Bertrand & Parnaudeau, 2019).

Balcaen and colleagues (2012) showed that about 40% of companies studied close through a court case (mainly bankruptcy), 44% close voluntarily, and 14% are acquired or merged. In general, society associates bankruptcy with worse performance than in the case of acquisitions or mergers. Comparing businesses that have failed with others that have not failed has found that the main causes of bankruptcies are lack of knowledge, lack of access to loans, and the economic climate (Carter & Van Auken, 2006). While these authors concluded that the firms that failed in greater numbers were older, Cressy (2006) concluded the opposite, and considered that failure happens when the firm's value falls below the opportunity cost of staying in

business. Hogarth & Karelaia (2012) showed that entrepreneurs who fail have higher overconfidence than those who succeed, and that in countries with a higher entrepreneurial self-confidence index, there are more start-ups and a lower probability of survival.

Political and economic instability, national technology policies, industry dynamics, as well as firm-related factors such as firm ownership, strategy, and technology development are some of the factors that support firm success in the short term, but discourage learning and technology enablement and thus increase the likelihood of failure in the long term (Karabag, 2018). This is more relevant in emerging economies with unstable political regimes. Also, the effects of terrorism are significantly relevant in fragile and developing countries, while no such relationship is found in developed countries (Tingbani et al., 2019).

Financial crises, such as that of 2008, increase the likelihood of business failure, yet firms with high levels of human capital in research and development (R&D) are better positioned to survive under uncertain financial conditions (Martinez et al., 2018). Human capital is a source of sustainability and plays an important role in the success of firms. R&D and long-term relationships with customers are also found to decrease the risk of failure (Martinez et al., 2018). The same authors concluded that partnerships (even between competitors) also reduce the risk of failure in times of crisis.

Management succession in family businesses is the main cause of the high failure rate in the transition from the first to the second generation, because the choice of the successor is predetermined by family ties (Miller et al., 2003). The authors consider that immaturity, like overdependence and conservatism, rebellion and excessive change, or ambivalence and confusion, may be due to the large age and experience gap between old and new CEOs, which is why the transfer of ownership and managerial control of operations and strategies may lead to EF (Dou & Li, 2012).

The institutional environment in which the firm operates may or may not facilitate failure (Eberhart et al., 2017), such as bankruptcy laws (Hogarth & Karelaia, 2012) that can limit the growth of new firms (Eberhart et al., 2017). Van Auken et al. (2009) report that in the US, to deal with entrepreneurial failure, the state intervenes through bankruptcy legislation, and that from the moment the entrepreneur feels more protected by the state, they worry less about bankruptcy and tend to increase capital, reducing risk, and minimizing threats to their personal financial security, concluding on the importance of knowledge about bankruptcy legislation for all stakeholders.

When franchisors adopt policies that strengthen and protect the interests of franchisees, make investments in the brand, and ensure that franchisees have adequate human capital (Michael & Combs, 2008) and conveniently manage their relationships, they mitigate risks, taking into

account the different stakeholders (suppliers, financial institutions, customers, investors) (Holmberg & Morgan, 2003).

Gender is another topic that impacts failure. The probability of failure by a woman's company seems to be higher: after two years, 15% of companies led by women fail, against 10% of those led by men, rising to 26% and 15% at five years, and 49% and 36% at 10 years (Yang & del Carmen Triana, 2017). However, Justo et al. (2015) counter that this finding is biased, because studies do not separate firms that close due to venture failure from those that close for reasons other than failure. This situation shows the importance of distinguishing the reasons why a firm closes. Studies suggest that although firms whose owners are women have higher failure rates than do firms whose owners are men, the difference is no longer significant if one controls for sector effects, as there is a tendency for women to set up businesses in sectors whose rates of return are lower – so one should pay attention to the sector in which one intends to invest (Watson, 2003). The higher female exit rates may be partially explained by a personal choice to leave the company rather than being forced to close due to poor performance, concluding that women and men form heterogeneous groups with different roles, motivations, and options, a notion that helps explain the gender-exit relationship (Justo et al., 2015). It is also found that women are less likely than men to take out high-cost short-term loans, suggesting that they are more careful about their financial decisions, meaning that loans to women may be less risky (Yang & del Carmen Triana, 2017). Regarding financial literacy, women score lower but do not tend to overestimate their abilities, are less prone to overconfidence and have greater risk aversion, which mitigates mistakes that could stem from their lack of knowledge (Nitani et al., 2019).

One aspect that can help understand and avoid failure is the study of blame, and what is attributed to the failure (Pal et al., 2011). There is a significant relationship between the absence of written plans and failure, and the firms with the fewest written plans are those with fewer than five employees (Perry, 2001).

The employees of companies that failed may go on to form their own companies, and this probability increases in the case of the most qualified and, in particular, those who had management positions (Nyström, 2020), reinforcing the idea of Knott & Posen (2005) that when companies fail, they can generate externalities that significantly and substantially reduce the costs of the sector, which means that failure can have a positive side for society.

Figure 2.10 provides a structured overview of the principal topics within cluster 1 (causes of failure), showing that the causes can be internal or external to the entrepreneur. Both suffer various influences and impact recovery, which is different for serial and portfolio entrepreneurs.

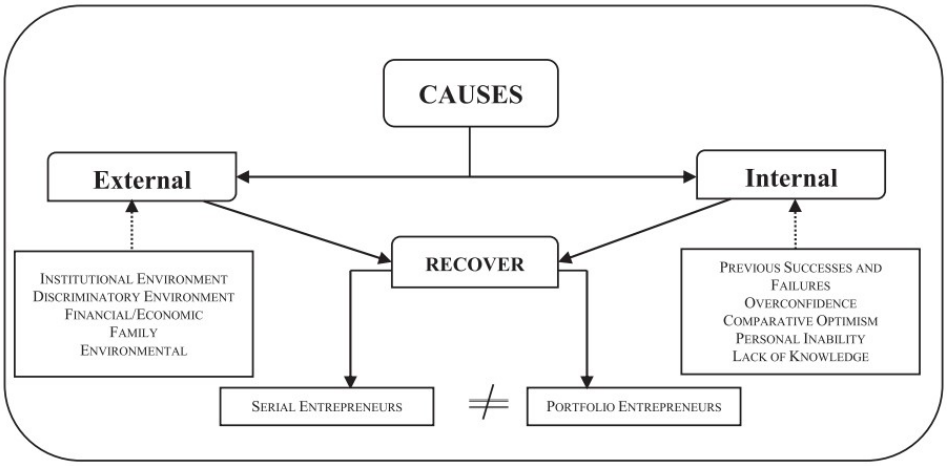


Table 2.10 Integrative research framework for cluster 1: Causes of failure

2.4.3.2. Learning (cluster 2, n = 24)

EF implies, on the one hand, a feeling of loss and, on the other, the need to recover (Jenkins et al., 2014), and is always a process with complex consequences at various levels, financial, emotional, physiological, social, professional, and entrepreneurial (Cope, 2011). After failure, the strong negative emotions felt can be grief, remorse, shame, humiliation, anger, guilt, and fear of the unknown (Ucbasaran et al., 2013), and these influence two major themes of study: learning and fear.

The consequences of failure are broad in scope, so distinguishing between direct (economic, psychological, and social), indirect (pain, learning, and recovery) and long-term effects (environmental – economy, industry, competition, and community of interest; organisational – future business and the organisation itself; and individual – economic, physiological, psychological, cognitive, and social) (Klimas et al., 2020) is crucial to better understanding the whole process.

One of the aspects explored in this group of articles is the fact that an EF can induce learning, or not (Cope, 2011; He et al., 2017; Shepherd, 2003), and it depends on two aspects: attributions and emotions (Cope, 2011; Jenkins et al., 2014; Ucbasaran et al., 2013), which can both foster and limit it. Learning, and the perception that something has been learned, depends on what the failure is attributed to, and is greater when it is considered to have been factors internal to the entrepreneur and another business is restarted shortly after the failure; and, on the contrary, when failure is attributed to external causes and the area in which the failure occurred is abandoned, learning does not seem to occur (Cardon et al., 2011; Mantere et al., 2013; Yamakawa & Cardon, 2015), due to narcissism (Liu et al., 2019), personality, and mindset (Mitchell et al., 2008).

The growing interest in studying these aspects is due to their influence on resilience and the possibility of creating new businesses, which is desirable to integrating the knowledge acquired with post-failure learning (Yamakawa & Cardon, 2015).

Entrepreneurs, when starting their businesses, do not expect to fail. However, after failure, most agree that learning is an important outcome (Klimas et al., 2020; McGrath, 1999) and also a traumatic emotional experience that can hinder learning (Cope, 2011; Shepherd, 2003). Therefore, it is one of the most difficult and complex learning experiences, with high costs, both financial and personal/social (Cope, 2011). Failure can be a valuable experience if it allows learning to improve the entrepreneur's skills (Cardon et al., 2011; Cope, 2011) and ability to perceive new business opportunities (Boso et al., 2018). However, it can also entail negative – or even disruptive – effects on the entrepreneur's professional and social life (Klimas et al., 2020). The ability to learn from failure can be a process that enables entrepreneurs to engage in new entrepreneurial actions by increasing their level of preparedness for new entrepreneurial activities (Amankwah-Amoah et al., 2021; Singh et al., 2015).

Failure can stimulate entrepreneurs' learning, but its emotions can hinder it. The speed with which failure occurs impacts learning and is influenced by emotions (He et al., 2017) like pain that can reduce entrepreneurial motivation (Jenkins et al., 2014). When failure is seen as a personal failing, low self-esteem and negative emotions are more intense, so attributing failure to external or internal causes influences the judgment that is made about the event (Kibler et al., 2017), and can hinder learning, constituting a barrier to growth and leading to lower performance (Amankwah-Amoah et al., 2021; Boso et al., 2018). Also, a narcissistic personality can create cognitive and motivational barriers to learning, which are more pronounced when the social costs of failure are high (Liu et al., 2019).

Accounts of failure are not mere descriptions of past events, and they play a crucial role in producing credible explanations that help in coping with disappointment and stigma (Mantere et al., 2013). There are other ways in which learning can be positive, such as working with other entrepreneurs to reduce the likelihood of failure (Cope, 2011). Learning involves obtaining information, identifying root causes of failure, and reflecting on and discussing what happened, and can be obtained through someone else's experience – vicarious learning (He et al., 2017). This willingness to share what has been learned is one of the social benefits of learning and can take place through mentoring and consulting (Singh et al., 2015).

Learning from failure is easier for entrepreneurs who possess a cognitive toolkit and intuitive style, and depends on the attitude towards failure (Mueller & Shepherd, 2014). If the costs of failure (financial, social, and psychological) are too high compared to the benefits of learning, entrepreneurs may prefer to abandon the entrepreneurial career (Ucbasaran et al., 2013), a negative situation not only for them but also for society.

Entrepreneurs often consider their companies a part of themselves, so it is therefore not surprising that the financial, social, and psychological consequences of failure are reflected in their tweets, by changing their digital identities, decreasing the emotional tone of the messages and indicating an increase in psychological distress, while at the same time higher levels of self-confidence and reflection are observed (Fisch & Block, 2021).

The way a given culture and society views failure has a very strong impact on the consequences for the entrepreneur (Singh et al., 2015), how societies assess risk, and the level of entrepreneurial activity in a given society (Cardon et al., 2011). Shepherd and Patzelt (2015) concluded that the more or less harsh way entrepreneurs are evaluated depends on the entrepreneur's attributes, the attributes of those observing the situation, and the interactions between the two. Gay entrepreneurs are penalized more, and those who are closer to technology less penalized, particularly if it is more environmentally friendly technology. It happens more intensely in small localities, and has negative emotional and psychological consequences (Cope, 2011). Stigma is a multidimensional phenomenon (Simmons et al., 2014) with a high impact on the entrepreneur, being influenced by the view of oneself after failure and the attribution of failure to chance or personal mistakes (Cardon et al., 2011).

Shepherd and Haynie (2011) analyse the use of impression management (the conscious or unconscious attempt to influence other people's perceptions of a person, object, or event by regulating and controlling information in social interaction). They concluded that these aspects influence learning because, by blaming others, one can block their opportunity to learn. Stigma induces pressure on performance and leads to isolation of the entrepreneur, which can reduce the willingness to enter new businesses and engage in high-risk activities (Simmons et al., 2014). However, it can also trigger deep processes of introspection, which transform a very negative view of failure into a positive view that results in learning about failure, whereby the knowledge created is passed on to new businesses, from the entrepreneur to other entrepreneurs (Singh et al., 2015).

Entry into new businesses differs between countries but, in general, failed entrepreneurs are more likely to exit entrepreneurship altogether and turn to other career options in contexts where stigma is high (Simmons et al., 2014) and reflect negatively on future employment opportunities and/or access to resources (financial and human) (Cope, 2011; Shepherd & Haynie, 2011) making re-entry difficult. Stigmatization is best described as a process that unfolds over time rather than as a label, starting before failure, contributing to failure occurring, and informing entrepreneurs' actions, behaviours and decisions before and after failure (Singh et al., 2015).

Recovery is considered to have occurred when thoughts about the events that led to the loss of the business no longer generate a negative emotional response (Shepherd, 2003), and it takes

place in three stages (Cope, 2011). In the first stage, there is a withdrawal to allow the pain to recede and there is some healing; next follows a period of reflection in which one tries to make sense of the experience of failure; and finally, one acts to move forward and seek new opportunities and, eventually, to create a new business. Learning processes that facilitate recovery and recognition of failure can create new opportunities (Amankwah-Amoah et al., 2021).

EF may encourage some serial entrepreneurs to collaborate with other entrepreneurs. This phenomenon is shaped by religious and family orientation and the supportive social networks and potential financial resources available in family businesses may help them better absorb the effects of the failure experience relative to individuals with nonfamily businesses (Amankwah-Amoah et al., 2022). Reflection on failure involves analysing the causes so that one understands what happened (Cope, 2011; Singh et al., 2007); it is reflected in the learning and behaviour adopted afterwards and may facilitate the reopening of new businesses (Amankwah-Amoah et al., 2022).

Figure 2.11 presents the thematic content framework of the cluster, showing that failure can induce learning, or not. The emotions, attributions, and personality of the entrepreneur impact the greater or lesser capacity for learning and the recovery that leads to re-entry into a new business; and family or society support, through the way they face failure, can help this recovery and re-entry. Learning creates knowledge that impacts resilience.

2.4.3.3. Fear (cluster 3, n = 17)

The third cluster focuses on fear and re-entry. Studies of fear of failure cover topics as diverse as the effect of previous failures (Hsu et al., 2015); the influence of close examples, positive or negative (Wyrwich et al., 2016); the influence of fear on future entrepreneurial intentions (Kollmann et al., 2017); or the causes of fear (Guerrero & Peña-Legazkue, 2018; Shahriar & Shepherd, 2019; Wyrwich et al., 2016).

The impact of fear on outcomes, whether at the level of investment or the likelihood of success depends crucially on context (Morgan & Sisak, 2016). Fear of failure can inhibit or motivate entrepreneurial behaviour, allowing for a better understanding of entrepreneurial motivation, and occurs during and at the end of the process (Cacciotti et al., 2016). The main causes are the prospect of loss of financial security; not having the necessary personal skills or ability to finance the venture; the idea's potential not being enough; loss of social esteem; inability to execute the venture; and high opportunity costs.

Fear depends on how strongly individuals believe that certain adverse consequences will occur when external events arise in which they, or their venture, are at greater risk of failure. It is a

pervasive but aversive experience in entrepreneurship, with critical implications for entrepreneurial action and wellbeing (Engel et al., 2019); it induces stress, anxiety, panic, depression, and frustration (Cacciotti et al., 2016); and meditation, by promoting a positive self-image, plays a crucial role in dealing with fear-inducing events (Engel et al., 2019). Cacciotti et al. (2020) helps to understand that entrepreneurial fear of failure is neither uniform nor stable over time.

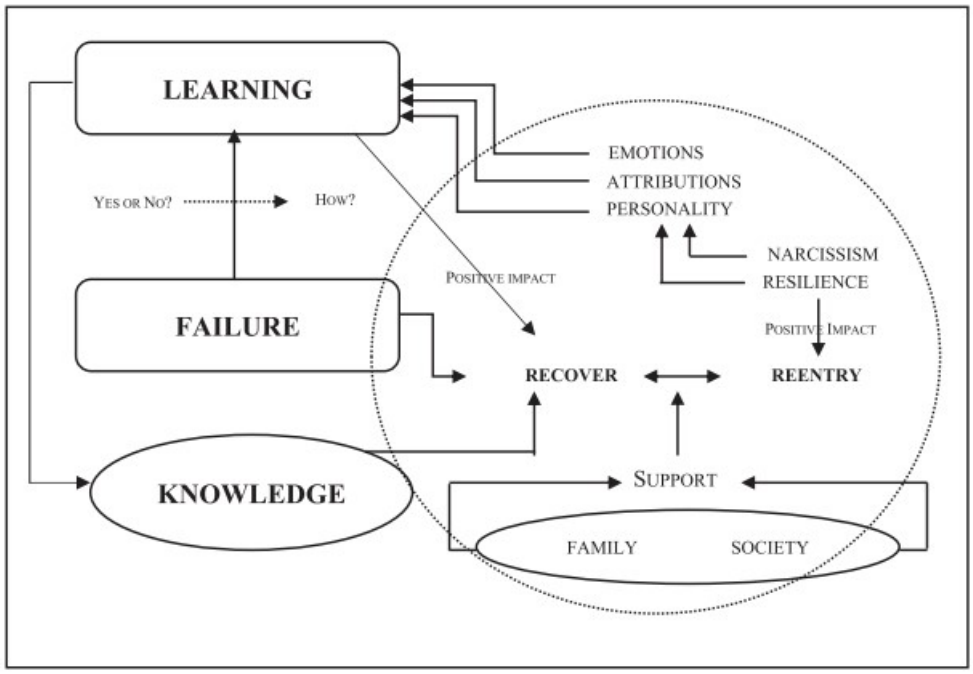


Figure 2.11. Integrative research framework for cluster 2: Learning/knowledge

Fear depends on how strongly individuals believe that certain adverse consequences will occur when external events arise in which they, or their venture, are at greater risk of failure. It is a pervasive but aversive experience in entrepreneurship, with critical implications for entrepreneurial action and wellbeing (Engel et al., 2019); it induces stress, anxiety, panic, depression, and frustration (Cacciotti et al., 2016); and meditation, by promoting a positive self-image, plays a crucial role in dealing with fear-inducing events (Engel et al., 2019). Cacciotti et al. (2020) helps to understand that entrepreneurial fear of failure is neither uniform nor stable over time.

Hsu et al. (2015) investigated the moderating relationship of self-efficacy on entrepreneurial intention, concluding that, rather than self-efficacy, it is the notion of gains and losses (prospect theory) that carries more weight in the decision to start a business, even after a previous failure that may a priori induce fear. Re-entering a business depends on individual (wanting to create their own job and personal experience), organisational (innovation is a critical success factor), and contextual (barriers to innovation and entrepreneurship) factors, which differ between

regions – with some cultures and institutions, being more tolerant towards failure, offering more second chances, which can be enhanced through training policies inducing tolerance towards failure (Guerrero & Peña-Legazkue, 2018).

According to Baù et al. (2016), the main driver of re-entry after EF is the age of the entrepreneur, with gender interfering in this relationship. But Lin and Wang (2019) find that the older the serial entrepreneur, the longer it takes to restart a venture. In addition, the greater the loss, the slower the speed of re-entry; and the greater the family support, the faster re-entry occurs (Lin & Wang, 2019). Serial entrepreneurs whose previous venture failed tend to blame the external environment and change the sector of the subsequent venture, which invalidates the previous experience (Eggers & Song, 2015).

For entrepreneurs already in business, FoF can be motivating only when their standards of success are high enough; otherwise, it can be demotivating. More confident individuals have higher aspiration levels, make greater sacrifices, and achieve success more often (Morgan & Sisak, 2016).

Role modelling has a significant impact on fear. For Wyrwich et al. (2016), observing a successful entrepreneur stimulates entrepreneurship by reducing fear. On the other hand, if entrepreneurial failure in a particular social environment is notorious (e.g., a high number of closed high street shops), there is a significantly positive relationship with fear, and the effect is greater the closer it is to the region where the individual lives, limiting their entrepreneurial intentions.

Fear explains the decision of individuals to withdraw or give up on a venture and is activated by the identified obstacles – like financial losses (resources and capabilities theory), loss of customer demand (market theory), or loss of social support (networks theory) – having a negative effect on entrepreneurial activity, causing the devaluation of business opportunities, decreasing the desire to create a business and the notion that it will be viable (Kollmann et al., 2017).

Creativity increases the likelihood and speed of post failure re-entry (Allen et al., 2020). The same authors showed that intangible human resources are predictive of both transition decisions and the speed with which they occur, and that intangible social resources enhance these relationships.

Positive emotions, such as passion, excitement, happiness, and satisfaction, enhance entrepreneurship. At the same time, entrepreneurs are also subject to negative emotions, such as stress, FoF, loneliness, anxiety, and sadness, but less intensely so than other workers because they deal more effectively with these emotions (Patzelt & Shepherd, 2011), perhaps due to the autonomy associated with self-employment reducing emotional distress. Another negative

aspect is domestic violence, particularly against women, because it induces very negative emotions in them, such as increased anxiety, depression, and reduced strength and physical stamina, inhibiting female entrepreneurship and increasing the FoF, creating doubts about their ability to create and run a business. These effects are intensified if violence is accompanied by natural disasters such as floods, earthquakes, or cyclones (Shahriar & Shepherd, 2019).

In the case of portfolio entrepreneurs, business failure is associated with their lower propensity to report comparative optimism (tendency to see their future as more positive than that of others), which is not seen in serial entrepreneurs, explained by the fact that the former, by owning several businesses, may adopt a more experimental approach to the one that failed (Ucbasaran et al., 2010).

According to affect theory, fear decreases entrepreneurship, while joy and anger are associated with increased entrepreneurial tendency, which shows the importance of emotions and subjectivity of decisions in entrepreneurship processes (Welpe et al., 2012). Therefore, Welpe et al. (2012) conclude that emotions have direct and mediating effects on evaluations and decisions. Entrepreneurial behaviour is the result of: (1) the objective characteristics of the opportunity; (2) the subjective evaluations of entrepreneurs; and (3) their emotional interaction.

Fear impacts entrepreneurial intent, and the literature proposes a fear assessment model (Cacciotti et al., 2020). The existence or not of previous failures, the institutional environment, the positive or negative models to which the entrepreneur is subjected, and the culture itself affect fear, as represented in Figure 2.12.

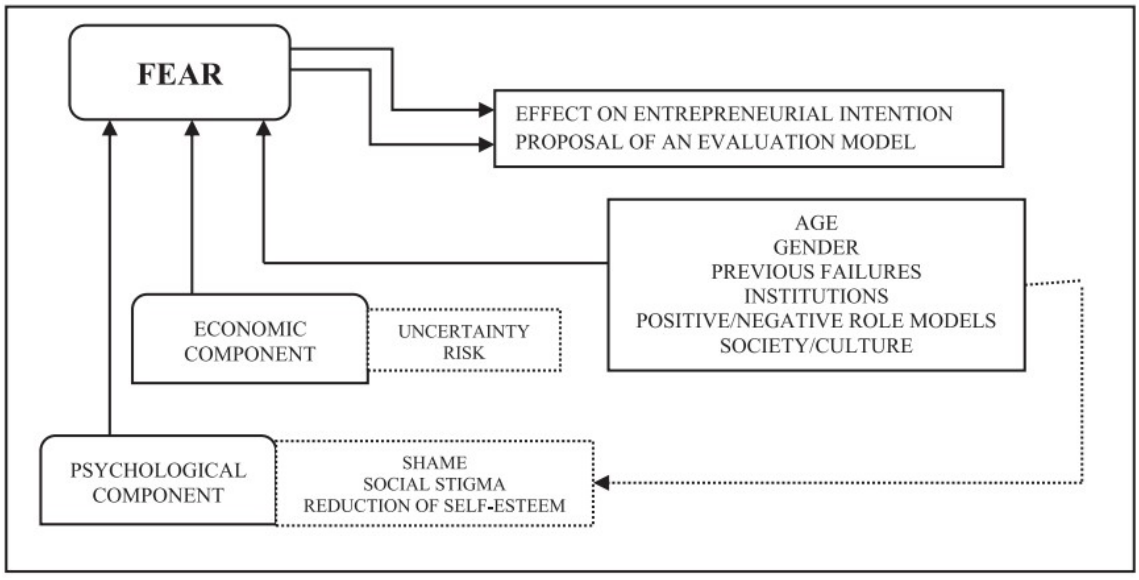


Figure 2.12 Integrative research framework for cluster 3: Fear

2.5. Discussion, framework and research agenda

Based on our comprehensive review, we have developed an integrative EF research framework (Figure 2.13) that evidences how each thematic group fits together and provides the current knowledge about EF and re-entry.

The causes of business failure are various, both from the entrepreneur's external and internal point of view. When they are external, they can be related to the enterprise (voluntaristic approach) or to the environment in which the enterprise is inserted (deterministic approach). Aspects such as the institutional (Eberhart et al., 2017), discriminatory (Samuels et al., 2008), economic, financial (Franco et al., 2021) or family (Revilla et al., 2016; Yu et al., 2020) environment impact the survival of enterprises. On the other hand, at an internal level (emotional approach), what may lead to failure are the entrepreneur's past life, successes or failures, and psychological characteristics (Khelil, 2016). The main causes of failure are related to how society supports entrepreneurship and businesses to a greater or lesser extent, with the level of education and knowledge of the entrepreneur, which allows them to understand and solve their environment and the problems that arise; with the institutional context that can facilitate or hinder the functioning of businesses, namely, through taxation or regulatory complexity; and with the economic issues internal and/or external to the company. In terms of future studies, it would be important to know the timing of failure, as this may influence how the entrepreneur reacts. Future studies could also delve deeper into the impact of aspects such as business sector, organization size, management teams, or location of business failure. Also insufficiently studied and relevant to failure and recovery are the entrepreneur's psychological characteristics, such as resilience, grit, comparative optimism, and self-confidence. The family of the entrepreneur might impact failure, recovery, and re-entry but we still know very little, both empirically and theoretically, about family involvement in those phases. When failure occurs, it will have consequences, particularly at the learning level, which depend on multiple factors. These factors can be personal, usually psychological, such as those previously mentioned as inducers of failure, strongly related to the emotional make-up of the entrepreneur, the models they perceive (if they know other failures or successes) (Wyrwich et al., 2016), and how society and culture evaluate failure (Acheampong & Tweneboah-koduah, 2018; Ng & Jenkins, 2018). Learning can have very important consequences for the entrepreneur, as it can facilitate their recovery and re-entry into business, all depending on the level of knowledge created and put into practice. So there is a need to understand better how the process occurs, namely, after failure relative to region, education, gender, and economic development. Not yet fully clarified is the role of learning in resilience and re-entry into future business, and the change in entrepreneur behaviour due to a previous failure. It would be important to include in educational practices the mechanisms of learning after a failure and how to face failure. The

study of the effect of narcissism on entrepreneurial behaviour and performance is yet to be done, and its effect on the various learning dimensions in depth and breadth.

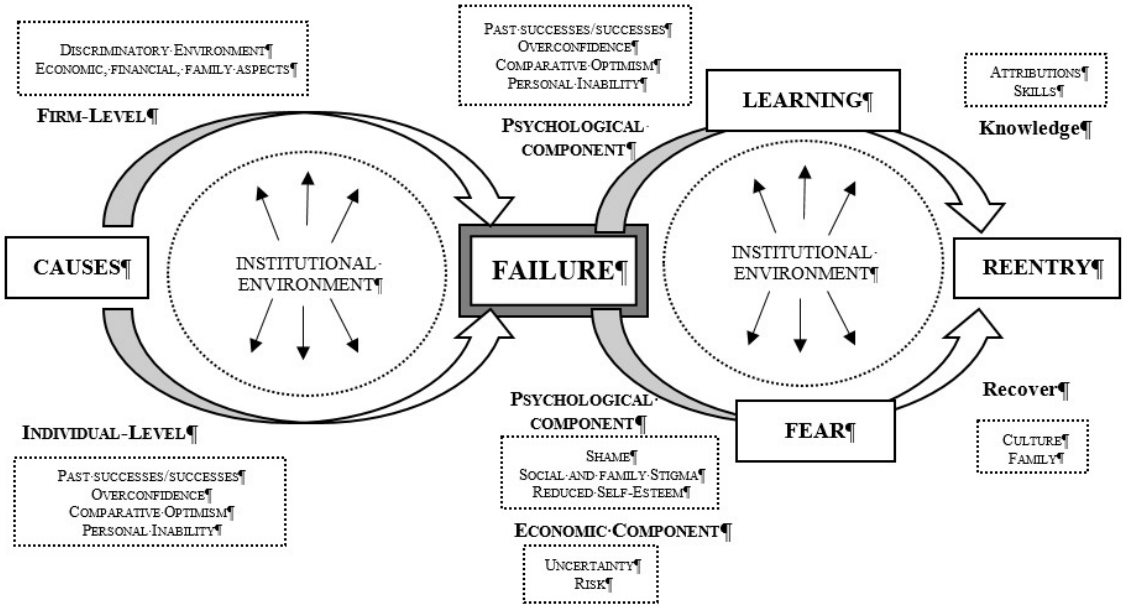


Figure 2.13. Integrative entrepreneurial failure framework

Another important study would be the impact of attribution narrative on consequent entrepreneurial identities. It would be good to study how individual entrepreneurs' attributions evolve as they make sense of events, and whether attributions predict one's future entrepreneurial career.

Fear is another consequence of failure, and it influences the capacity to learn. It is related to the characteristics of the person who fails and the environment in which he or she is inserted; it has a psychological and an economic component, which depend, respectively, on shame, social and family stigma, and the consequent reduction of the entrepreneur's self-esteem, and the way they analyse the risks and uncertainty of the moment (Ng & Jenkins, 2018). Interestingly, fear is strongly influenced by the knowledge that comes from learning (Acheampong & Tweneboah-koduah, 2018). The more knowledge people have, the better they control and analyse their pain, emotions, environment, and reality, and the faster they recover from the trauma of failure, which can lead to their re-entry into the market (Cacciotti et al., 2016). The impact of cultural characteristics on fear of failure and business creation should be better understood as well as the impact that the entrepreneur's personal characteristics have on fear and on learning ability. It is relevant to understand what is the object of fear: financial loss, loss of status, the effect on close people, or social shame. The influence of fear in the various tasks to be performed in the company is also a point to be studied in various contexts outside the company. Gender issues should also be studied in regions with different levels of inequality.

Finally, the entrepreneurship literature still lacks studies on re-entry. For example, we know very little about how friends, business networks, associations, and other network-units of analysis impact recovery. Also, even if learning is a critical mechanism that leads to re-entry, we still do not know how hubs, universities, incubators, and other institutions impact the psychological component that, with knowledge, triggers entrepreneurs to reenter the market. Our knowledge of re-entry itself, and its fine-grain characteristics, is also undeveloped and deserves future studies. Finally, qualitative studies, potentially longitudinal ones, that focus on our theoretical model from causes of failure to re-entry would also allow us to refine the mechanisms and triggers suggested by the existing literature. This could then be complemented with quantitative support.

Failure has very harsh consequences for the entrepreneur, which are very closely related to learning (studies strongly associate the effects to learning), and are reflected at economic, psychological, and social levels, inducing fear that interferes with learning capacity and recovery (Amankwah-Amoah et al., 2018). Learning is also positively related to recovery. In particular, the effects of fear have repercussions on the entrepreneurial culture of a region, which in turn also increases fear or not, depending on whether it penalizes failure to a greater or lesser extent. Psychological characteristics include comparative optimism, narcissism, and self-efficacy. The family, gender, and age of the entrepreneur and discrimination influence both failure and recovery, and eventual re-entry into the market, which is the desired outcome.

From a theoretical perspective, we uncover the relationship between the social constructs of failure and re-entry, and how fear and learning act as mechanisms to enable re-entry. We also explain the triggers that lead to the mechanisms, namely, the psychological and economic triggers, and how knowledge and recovery trigger re-entry. This is important because past research has been treating re-entry as a black-box, particularly in terms of antecedents, mechanisms, and triggers.

2.6. Conclusions and limitations

EF is a complex and dynamic phenomenon (Klimas et al., 2020), closely linked to entrepreneurship (Shepherd & Haynie, 2011). Its causes began to be studied in the mid-1990s (Christensen & Bower, 1996; Everett & Watson, 1998; Moulton et al., 1996) to understand the phenomenon (McGrath, 1999). At the beginning of the 21st century, the causes continue to be studied. However, another important theme also emerges, that of learning (Shepherd, 2003), which continues to be of interest to the scientific community, which realizes that fear is another factor that impacts entrepreneurship and failure (Welpe et al., 2012).

However, all these aspects are influenced by several others, such as psychological aspects of the entrepreneur (Liu et al., 2019; Ucbasaran et al., 2010), emotional aspects (Patzelt & Shepherd,

2011; Welpe et al., 2012), age (Lin & Wang, 2019) and gender (Baù et al., 2016; Shahriar & Shepherd, 2019; Watson, 2003), institutional environment (Artinger & Powell, 2016; Wyrwich et al., 2016) and the surrounding society (Lee et al., 2021). Other effects are also starting to be studied, such as terrorism (Tingbani et al., 2019) or climate change (Bertrand & Parnaudeau, 2019). Re-entry after a failure is important for the economy and should be studied for leverage (Allen et al., 2020; Guerrero & Peña-Legazkue, 2018; Hsu et al., 2015). In a nutshell, this study constitutes an important contribution to the knowledge on EF by systematizing the knowledge already developed in its various aspects, both in terms of external and internal causes to the entrepreneur and the organisation and in terms of the consequences, both positive and negative, to society and the entrepreneur, allowing for a fairly comprehensive view of EF and the identification of areas for future research. We also developed a framework whereby we identify the required mechanisms that hinder re-entry, and therefore allow support to facilitate those reentries.

Like any other, this study has limitations. First, we read only the abstracts and discussion/conclusion to make final decisions about which manuscripts to include. Even if this is a current practice when conducting systematic literature reviews (Klimas et al., 2020; Korber & McNaughton, 2018), we might not have captured articles that could be important to our theorization. Second, we trunked our search to top academic journals, which, while once again is normal practice (Kücher & Feldbauer-Durstmüller, 2019), might lead to missing relevant manuscripts.

Nevertheless, despite such limitations, with this research we start to uncover the re-entry black-box by explaining the antecedents, mechanisms, and triggers of EF. By identifying the clusters, we also uncover the fact that many questions remain open in each of them; this, therefore, also points to the emergence of a new field of EF study. Failure is influenced by aspects such as demographics, economic development, culture (Cardon et al., 2011), tax policy (García-Ramos et al., 2017), institutional complexity (Eberhart et al., 2017), and the role of the state (Adobor, 2020; Anis, 2018). Thus, longitudinal studies on business failure, resilience, and re-entry into business by entrepreneurs who have failed are lacking but, at the same time, are critical to understanding how EF evolves.

Table 2.3 summarises some of these aspects that are insufficiently studied and need more investigation.

ENTREPRENEURIAL FAILURE: RESEARCH AGENDA AND RESEARCH QUESTIONS		
CAUSES	- Integrate determinist, voluntarist, and emotive perspectives to deepen understanding of the causes of failure; - Study the impact of psychological characteristics of the entrepreneur (resilience, comparative optimism, attitudes, self-confidence, etc.) on failure and recovery; - Assess the impact of entrepreneur characteristics (age, gender, social position, education/knowledge, experience, social and family ties) on failure and recovery; - Assess the impact of external aspects on failure and recovery (e.g., demography, economic development, culture, fiscal policy, the institutional environment, the role of the government); - Assess the role of the family in failure and recovery; - Investigate how emotional consequences in failed entrepreneurs differ between the reasons for business failure;	- What characteristics of entrepreneurs enhance EF in SME? - What characteristics of entrepreneurs enhance EF in large companies? - What's the impacts of age, gender, social position, educational level in EF? - What's the impacts of experience in EF? - What's the impact of entrepreneur's families in EF? - What's the impact of the EF and recovery in employees and their families? - How failed entrepreneurs cope with the emotional consequences depending on the causes of EF
LEARNING	- Understand the post failure learning process, according to region, schooling, gender, and economic development; - Understand the effect of stigmatization on learning and re-entry; - Understand the effect of learning on resilience and re-entry; - Identify the factors influencing the application of learning in businesses after failure;	- What, why and how do entrepreneurs learn? What's the impact of stigma? - How does learning impact on re-entry? - How do entrepreneurs apply their learning outputs in practice in a new firm after re-entry?
FEAR	- Understand the impact of personal and cultural characteristics on FoF and business creation; - Understand the impact of fear on learning; - Understand how the level of FoF relates to the probability of failure for internal or external reasons, in the light of commitment theory; - Understand how attribution is affected by the emotions of failed entrepreneurs, and how attribution enables the entrepreneur to identify their level of FoF and the reasons why they failed; - Understand how the failed entrepreneur can transform negative emotions and feelings into positive aspects that allow them to recover and start again.	- Why do the entrepreneurs feel fear? What's the consequences of this fear in entrepreneurship? - Fear improves failure? How? Why?

Table 2.3 Research agenda

Therefore, from a theoretical point of view, our SLR uncovers the relationship between the social constructs of failure and re-entry, and how fear and learning act as mechanisms to enable re-entry. We also explain the triggers that lead to the mechanisms, namely, the psychological and economic triggers, and how knowledge and recovery trigger re-entry. From a practical point of view, we show the studies that have not yet been done and may give precious indications for entrepreneurs can better understand EF so that they can prepare themselves in order to reduce the levels of EF and, when this is impossible, to reduce the suffering and associated losses. But also that policy makers can have more knowledge to develop policies to support entrepreneurship that reduce the mortality of companies, on the one hand, and on the other hand, that increase the probability of re-entry after a EF.

CHAPTER 3 - Entrepreneurial failure: on the causes, consequences and impact on and within families

3.1. Introduction

Entrepreneurship is a key driver of the economy, contributing to reducing unemployment rates and increasing economic growth (Çera et al., 2019). With uncertainty being a certainty (Ucbasaran et al., 2013), there is always a risk assumption and a probability of failure (Carroll, 2017). Failure is thus a likely outcome for any entrepreneur, representing a financial and psychological cost not only to the individual but also to their families, creditors, and other stakeholders, and also impacting society as a whole (Eklund et al., 2018). The importance of EF, whether due to the high proportion of companies going bankrupt (Artinger & Powell, 2016; González & Fuentelsaz, 2015) or to the pain such endings bring (Cope, 2011; Shepherd, 2003), has come in for increasing study attention. Furthermore, in moments of crisis, understanding the factors that bring about the closure of businesses is particularly important (Kücher & Feldbauer-Durstmüller, 2019). We still lack a holistic understanding of the impacts of the characteristics of entrepreneurs on EF (Aguilar Rascón & Velázquez, 2019), and knowledge about the effects of EF remains scarce and fragmented (Klimas et al., 2020). Is still unknown the impact of training and experience on failure (Costa et al., 2023). Revilla et al. (2016) studied the impact of families on micro-enterprise management and their role in the behaviour and results of this type of company, but it is necessary to understand the impact of failure on families and their role in the entrepreneur's recovery after their micro-enterprise's failure (Jenkins, 2022). What causes micro-enterprise failure from the entrepreneur's perspective, and how do they cope with the consequences of failure? What is the impact of failure on families, and what role do they play in the recovery of entrepreneurs and their re-entry into new businesses?

There has been increased interest in studying EF in terms of causes (Muñoz-Izquierdo et al., 2019; Tingbani et al., 2019; Yamakawa & Cardon, 2015), learning (Cope, 2011; Shepherd, 2003), emotions (Cardon et al., 2012; Ucbasaran et al., 2010), such as pain (Cope, 2011; Jenkins et al., 2014; Shepherd, 2003), sensemaking (Cardon et al., 2011; Shepherd et al., 2009), stigma (Singh et al., 2015), recovery (Ucbasaran et al., 2013; Yamakawa & Cardon, 2015), and costs of EF (Singh et al., 2007; Van Auken et al., 2009), but this phenomenon is not fully understood as well as is the impact of the entrepreneur's characteristics on EF (Aguilar Rascón & Velazquez, 2019), particularly in micro-enterprises. Entrepreneurial failure represents a high financial and psychological cost for the entrepreneur and their family, creditors, other stakeholders, and society (Eklund et al., 2018). Microcompanies are important to economies for stimulating

production and domestic consumption and influencing the distribution of wealth in society (Ortiz Medina, 2013). Financial resilience measures a company's ability to face an exceptional and unforeseen shock that significantly impact its production and/or commercial process. Only 38% of microcompanies attain resilience (high or medium-high levels), and 34% display low resilience (low or minimal levels) (INFORMA D&B, 2020), so they have a higher probability of failure. It's another reason to study failure in these companies.

This study aims to fill these gaps, and to achieve them, we conducted a qualitative study by interviewing entrepreneurs whose businesses have failed and their respective families. We tried to explore this phenomenon from a personal perspective by comprehending how the consequences of a failure can differ and affect both the entrepreneur and their family in different ways. We could identify many reasons that explain the failure of these companies, like a lack of financial and management competences, fiscal policies, legal problems, covid-19 pandemic, incapacity to adapt to change, poor human resources management and personal characteristics. We also understood the seriousness of the consequences like financial problems, family problems, and emotional and psychological problems, all influenced by the personal characteristics of the entrepreneurs.

This study contributes to knowledge about the process of EF in microenterprises by revealing the critical role of entrepreneur and their family at all levels. It provides a holistic view of EF in microenterprises, analysed from the microentrepreneurs' perspective. The study advances past research by showing what happens during EF at both the intra-organizational and intra-personal levels. It also focuses on the failure of microenterprises in southern Europe, identifying factors such as lack of training and knowledge and socioeconomic level as contributors to EF. Additionally, the study is innovative in its examination of the impact of EF on the entrepreneurs' families and how they can strongly contribute to or worsen the recovery process. The study underscores the crucial importance of the financial consequences of EF for the mental and physical health of entrepreneurs and their subsequent re-entry into other businesses, with families playing a critical role in this process.

From a managerial point of view, this knowledge can also contribute to different approaches towards microcompanies, which have specific characteristics that require a different approach compared to other types of companies, particularly small and medium-sized companies. Since microcompanies make up a significant portion of private sector firms, employment, and gross domestic product (GDP) in most countries, separating them from SMEs and designing policies, incentives, and supports specifically for this scale makes sense. This could include support networks, observatories to analyse performance, and good payment policies to combat delays. Addressing their specific problems could enable microcompanies to be more successful and reduce the likelihood of failure.

Regarding public policies to reduce microenterprise failure, it would be important to implement tax policies that do not penalize microcompanies, speed up the justice system, provide educational policies to train entrepreneurs, and offer lifelong training to adapt to the changing business world. Higher education should approach microbusinesses to emphasize the importance of knowledge and offer training to increase technical knowledge and self-knowledge.

3.2. Theoretical background

3.2.1 Entrepreneurial failure

According to EUROTAT (2020), enterprises' survival rates in enterprises EU countries in 2019 were 82%, 59%, and less than 45% for 1 year, 2 years, and 5 years, respectively. For this study, as we said before, EF refers to the "cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the entrepreneur" (Ucbasaran et al., 2013, p. 175). This definition does not necessarily imply the closure of the company but rather the departure of the entrepreneur due to an inability to overcome the challenges faced by the company at that time; thus, the analysis simultaneously approaches the individual and the company (Yamakawa & Cardon, 2015).

EF represents an unquestionable facet of entrepreneurship (Jenkins, 2022), so its study is correspondingly important and grasping the phenomenon of EF requires understanding its causes (Walsh & Cunningham, 2016). EF causes significant damage to entrepreneurs from a physical and psychological point of view, lowering self-esteem and bringing about problems in their relationships with others (Klimas et al., 2020; Liu et al., 2019; Omorede, 2021). How the individuals involved attribute the causes underlying the events leading to failure does not always, or even commonly, correspond to the real situation. People generally tend to attribute their difficulties to external factors, arguing that the causes of failure stemmed from market forces and not the shortcomings of their management (Franco & Haase, 2010). Perceptions of failure as a subjective quality are often biased when not erroneous (Franco & Haase, 2010). Majláth et al. (2019) detail how the critical factors of success depend greatly on the organisation's location, with each study/author putting forward a different set of factors critical to success according to the location of the study organisation.

Previous studies have focused on the antecedents of EF (Adobor, 2020; Artinger & Powerll, 2016), EF itself (Aguilar Rascón & Velazquez, 2019; Amankwah-Amoah et al., 2017; Klimas et al., 2020), the impact of entrepreneur experiences of EF (Gottschalk et al., 2017), the entrepreneurs (Fowle, 2019), their spirituality (Singh et al., 2016) and their emotions (Cardon et al., 2005, 2012), including pain and recovery (Shepherd, 2009a). Studies of the causes of EF distinguish between various types of causes: external (determinist approaches) (Klimas et al.,

2020; Muñoz-Izquierdo et al., 2019; Omorede, 2021) and internal (voluntarist approaches) (Çera et al., 2019; Klimas et al., 2020; Muñoz-Izquierdo et al., 2019) There are also studies focusing on other aspects, such as the emotions of entrepreneurs (emotive approaches) (Cardon et al., 2012) before, during, and after EF, dealing with aspects such as pain and its consequences (Shepherd, 2009a; Shepherd, 2009b).

But despite the relatively high number of existing studies, it is still necessary to understand several aspects of entrepreneurial failure, such as what causes micro-enterprise failure from the perspective of the entrepreneur themselves, and how do they cope with the consequences of failure, and what is the impact of failure on families and what role do they play in the recovery of entrepreneurs and their re-entry into new businesses. These are the investigation questions that this study has answered.

3.2.2. Approaches about the causes of entrepreneurial failure

3.2.2.1. The determinist approach

The determinist approach considers that EF arises from external factors that managers do not have the power to either influence or control, frequently deriving from the prevailing economic environment causing problems that may lead companies into EF (Mellahi & Wilkinson, 2004). This approach incorporates various theories and perspectives, such as institutional theory (North, 1990), which has played a leading role in entrepreneurship literature, emphasising the institutional environment's importance for company development processes (García-Ramos et al., 2017). The institutional environment and any ongoing changes significantly impact companies already subject to high levels of uncertainty.

There are formal and informal constraints of the surrounding institutional environment that entrepreneurs have to deal with (Yamakawa et al., 2008). According to this theory, the institutional environment in shaping business activities may contribute to EF (Çera et al., 2019). According to the industrial organisation perspective, the economy is a fundamental factor in EF, whether the prevailing market conditions in which the companies operate and interact or the ways that companies behave in the market (Walsh & Cunningham, 2016).

The determinist approach considers that companies need to adapt to their surrounding environments as the characteristics determining particular environments also determine favourable strategies to the detriment of others (Walsh & Cunningham, 2016). Various authors identify a diverse range of external causes as affecting companies. Klimas et al. (2020) consider

causes exist both at the meso level (poor market conditions, high company and opportunist behaviours in the entrepreneurial ecosystem of any organisation) and the macro level (ineffective institutional support, poor levels of education) that entrepreneurs are unable to control (Jing et al., 2016). Adverse rumours and misinformation spread by the competition to cause harm (Amankwah-Amoah et al., 2017), the prevailing economic climate (Carter & Van Auken, 2006), and the institutional environment (Eberhart et al., 2017) are other factors capable of driving EF. High labour costs and technological developments may also bring about alterations and raise the likelihood of failure (Zhang et al., 2018).

So, we intend to verify the following proposition:

Proposition 1: *The political, legal, economic, competitive environment, market, and its evolution contribute to the failure of microenterprises regardless of the type of management and characteristics of the entrepreneur*.

3.2.2.2. The voluntarist approach

According to the voluntarist approach, senior management holds the greatest responsibility for decisions and, therefore, has the greatest impact on the decision-making process's external context (Mellahi & Wilkinson, 2004). This approach arises from the view that resources explain why some companies fail and others prove highly successful even in the same environment and dealing with the same external restrictions/impositions (Khelil, 2016). These resources include, among others, the brand, knowledge, individual capacities, contracts, equipment, procedures, and capital (Wernerfelt, 1984). The appropriate management of resources enables the avoidance of failure (Cardon et al., 2011).

This approach also spans various theories. One is the resource-based theory that maintains companies should focus on their internal resources (Wernerfelt, 1984) and associates EF with economic problems (Thornhill & Amit, 2003). Management and accountancy practices, marketing decisions, and financial planning are internal factors that affect company performance (Mellahi & Wilkinson, 2004). Another theory applies the resources and capacities (Barney, 1991) required by organisations to improve their levels of performance and generate competitive advantages through specific combinations of their resources, which should be valuable, rare, nonreplicable, and irreplaceable. The dynamic capabilities perspective (Teece et al., 1997) considers that, rather than through resources per se, competitive advantage arises from the processes – management and organisational – shaped by the positioning that the resources endow and the paths opening up through the strategies that companies deploy, coupled with raising or lowering the rates of return. Therefore, human resources play an essential role as crucial resources for business activities (Stacho et al., 2017). When senior

management lacks the range of competencies necessary to develop a business (Richardson et al., 1994), the organisation may swiftly head into EF.

We want to verify the following proposition.

Proposition 2: *The company's characteristics, such as its size and the absence of management skills, increase the likelihood of failure of micro-enterprises.*

3.2.2.3. The emotive approach

The emotive approach considers the characteristics inherent to entrepreneurship while emphasising psychological factors (van Gelder, 2007), which may guarantee more accurate predictions of EF than environmental or organisational factors. Cardon et al. (2012) state that entrepreneurship intimately interlinks with affections, emotions, states of spirit, and sentiments, both individual and collective, and generates strong emotions because, in extreme contexts of time pressures and uncertainties, there are personal consequences bound up with the fate of the business. Threshold theory (Gimeno et al., 1997) argues that the survival of any company does not exclusively depend on its economic performance but on the performance threshold of the entrepreneur (DeTienne et al., 2008), defined as the level of performance below which entrepreneurs decide to give up on their ventures (Gimeno et al., 1997).

Entrepreneurs display different thresholds regarding their performance levels, shaping their decisions around continuing to run businesses returning low performance levels (DeTienne et al., 2008). Discrepancy represents another important theory within this framework (Cooper & Artz, 1995), which complements threshold theory to a certain extent and introduces the notion of "entrepreneurial satisfaction" as a psychological measurement of the business success of individuals that impacts on their decisions over whether or not to persist with the business. Levels of individual satisfaction derive from a gap between real performance and the objectives or expectations of individuals (Cooper & Artz, 1995). Discrepancy theory provides a broader perspective than threshold theory, as the objectives and expectations of entrepreneurs do not relate to any preference for a minimum level of performance, as implied when analysing performance boundaries (Khelil, 2016).

The entrepreneur-related causes of EF span a range of factors, including, for example, poor adaptation to changes in markets, resulting in the loss of markets with high levels of uncertainty (Zhang et al., 2018), any potential errors made (Artinger & Powell, 2016; Cardon et al., 2011), excessive levels of trust (Artinger & Powell, 2016; Hogarth & Karelaia, 2012), entrepreneurs' personalities and personal values (Klimas et al., 2020), and lack of capabilities and/or tools (Guerrero & Espinoza-Benavides, 2020), such as low levels of financial literacy (Nitani et al., 2019), lacking knowledge/schooling (Carter & Van Auken, 2006), and lacking experience (Çera

et al., 2019). Entrepreneurs' families (Revilla et al., 2016) and/or circles of friends are also capable of bringing about EF. Aguilar Rascón & Velázquez (2019) determine financial aspects, market-related aspects, people, and their management as factors potentially leading to EF.

The psychological characteristics of entrepreneurs may influence the performance of their business, as attitudes and negative emotions may lead to the failure of the business (Khelil, 2016). Furthermore, this also holds for comparative optimism (Ucbasaran et al., 2010) and excessive trust (Liu et al., 2019). This leads us to consider a third proposition.

Proposition 3: *The personal characteristics of entrepreneurs have an impact on the likelihood of failure of micro-enterprises*.

3.2.2.4. Emotions and pain

The interrelationship between emotions and reason is unquestionable (Damásio, 1999), raising the question of the relationship between emotions and entrepreneurship, which are clearly closely intertwined (Baron, 2008; Cardon et al., 2012). Entrepreneurs frequently develop close personal relationships with the businesses they launch, strongly identifying with them, perceiving and feeling them as an extension of their own selves, which may explain the bias that leads to shortcomings in their perceptions of risk, persistence despite bad results and the great sacrifices made for the companies (Cardon et al., 2005).

How individuals perceive the world also interacts with their emotions. Therefore, the behaviour of entrepreneurs depends on their emotions (Welpe et al., 2012), which structure how they judge, decide, and process information (Clore & Bar-Anan, 2012). Due to the strong emotions prevailing between entrepreneurs and their businesses, EF can generate strong negative feelings, such as anger, rage, and confusion over losses suffered (Shepherd, 2009a). Indeed, grief at a company's loss may resemble the grief experienced over losing a beloved person (Shepherd, 2003). This furthermore reflects how the traumatic pain stemming from such losses results in mental health issues (depression, suicidal thoughts, and pain) and physical problems (greater likelihood of contracting cancer, heart issues, headaches, and flu) (Prigerson & Jacobs, 2004), with EF thus driving serious consequences (Klimas et al., 2020). One important aspect of the recovery process stems from the meaning the entrepreneur attributes to the EF, which incorporates the causes of the problems and business failure (Cardon et al., 2011). The surrounding host society plays a major role in the evaluation made of EF and influences reactions to such losses and the consequent pain (Cardon et al., 2011). These experiences are subjective, and the extent to which individuals feel them undergoes the influence of a series of factors, including impacts on their social and organisational identities (Corley & Gioia, 2004) and their personal outlook (Maitlis et al., 2013). Based on these arguments, we formulate the following research propositions.

Proposition 4: *The emotions that failure evokes in entrepreneurs greatly impact their ability to recover from the loss of their company and their re-entry into new businesses.*

Proposition 5: *Family emotions and pain greatly impact the ability of entrepreneur's recover and re-entry in new businesses.*

Figure 3.1 shows the investigation model that relates propositions to be tested.

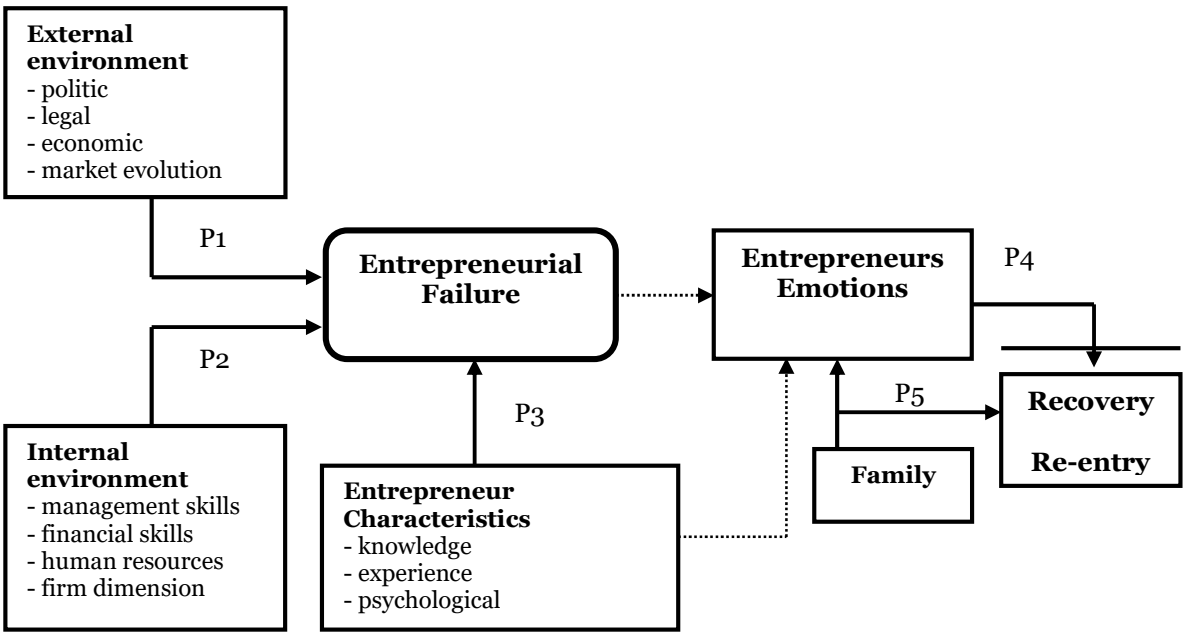


Figure 3.1 Investigation Model

3.3. Methods

As the objective of this study is to grasp the causes of EF from the perspectives of entrepreneurs, we adopted a qualitative methodology as is the most appropriate to the research goals (Byrne & Shepherd, 2013; Cope, 2011; Mantere et al., 2013). And given the complex nature of the EF process, the qualitative methodology derives from how we consider that, up to a certain point, future quantitative studies will result from the findings produced through ongoing qualitative studies (Walsh & Cunningham, 2016).

Qualitative and case study approaches particularly enable deep and multifaceted understandings of complex questions in real-life contexts (Crowe et al., 2011) and concentrate on grasping the dynamics present in unique configurations (Eisenhardt, 1989), as in the present case. We studied 16 cases of EF (Khelil, 2016) through interviews with the entrepreneurs, their

family members, and a solicitor. Appendix 3.A presents the interview script used with the entrepreneurs, which was also the subject of discussions with their families and the solicitor. We then triangulated the data (Jick, 1979), ensuring the consistency and robustness of the research (Eisenhardt, 1989) and complementing the study with information that the interviewees could not provide. All the interviews and conversations took place between May and July 2022. The case study selection was not random and was grounded on the uniqueness of the cases and their interest to the research goals here (Crowe et al., 2011).

The cases cover various sectors of activity and various types of both failure and entrepreneur (Eisenhardt, 1989), with the variety essential to understanding the subject under analysis. A necessary condition for study participation was that all entrepreneurs must have undergone at least one EF of a company they had founded. We collected the data through semistructured interviews with eight entrepreneurs and structured interviews with another eight. In the case of family members living with the entrepreneurs before, during, and after bankruptcy, the interviews made recourse to an in-depth approach in which the interviewer introduces the theme and the interviewee discourses on it.

This type of interview is exploratory, detailing the most prominent questions and leading to a better understanding of interrelationships (Batista et al., 2017). In the case of the solicitor, we asked a few questions that formed the basis of a conversation about EF and the professional's two decades of experience in dealing with entrepreneurs facing insolvency. As an individual concerned with the human dimension to this problem, the solicitor entered into close relationships with entrepreneurs throughout insolvency and EF, providing him with broad knowledge about how they dealt with failure, the problems they faced, and how they set about resolving them. Furthermore, as an outside analyst of these issues with education and training in this field, his objectivity contributed significantly to the study of our theme.

The interviews took place either in person or via the Zoom platform, according to the availability of the participants, and were of 45 to 60 minutes in duration. The same person carried out all of the interviews, transcriptions, and analyses to facilitate the depth of knowledge generated for this study theme. Following their transcription, all of the interviews were read to gain a good basis for codifying the data. We recorded some interviews on video following informed consent by the interviewees. In cases where entrepreneurs did not feel comfortable with recording, they were accompanied by the solicitor, who they already knew, and who took written notes throughout the interview. We furthermore recorded the interviews with the solicitor. We transcribed the interviews, resulting in over 300 pages, with an additional 100 pages spanning the interview notes that were converted to text immediately after each interview. We did not record any interviews with family members, as we sought to avoid even this minimal constraint on respondents feeling at ease to talk about every experience surrounding the EF.

Notes were taken that were then subject to analysis and annexed to the interview with the respective entrepreneur.

3.4. Results

Encountering entrepreneurs who have experienced EF and are willing to talk about it is no easy task (van Gelder, 2007). However, an effort was made to ensure a sample of entrepreneurs that differed in their level of education, type of entrepreneurship and failure, age, and gender and shared a willingness to talk about the failure they went through. From our sample of entrepreneurs, we managed to obtain a varied range of experiences, events, feelings, and stances towards their companies and failures that enrich the conclusions accordingly.

There were 62.5% male and 37.5% female. The average age at the time of closing of their companies was 47.3 years, varying between 38 and 61 years. The level of education fluctuated between primary school and higher education. Regarding activity subsequent to EF, some entrepreneurs have not done anything (the retirees and those in employment at that time who had retained their positions). Others sought employment, either in Portugal or internationally; others again launched new businesses. Nine had other sources of income or family support, but the remaining seven had no other source of income. The locations of these companies spanned the north and centre of Portugal, and the companies belonged to various sectors.

Partners ran ten companies, whether or not exclusively involving family members, with no partnerships in the remaining companies. The companies where the entrepreneur had partners were limited companies; those without partners operated as individual and limited liability establishments. Endings fell into three categories: seven were closed; two sold; and seven entered into bankruptcy. The companies in which partners joined entrepreneurs were limited companies, while those without partners opted for the juridical status of individual and limited liability establishments. We identified two types of EF. One corresponds to the destiny of companies that provided a second source of income to entrepreneurs, complementing wages earned through employment by third parties or rental income, with the company established as something the entrepreneur truly liked doing (E1, E2, E6, and E15). The other companies were entrepreneurs who lacked any other source of income. This latter type subdivides into two: 1) those companies that generated monthly income for the individual and their household (E4, E7, E9, E10, E11, E12, E14, and E16); and 2) those companies where, despite the entrepreneurs not having another source of income, their families could count on the earnings of a spouse to ensure that the household could get by (E3, E5, E8, and E13).

Table 3.1 shows the characterisation of the companies and the respondents.

Interviewee	ENTREPRENEUR					COMPANY							
	Gender	Age at closing	Education Level	What you did afterwards	Other income	Region	Sector	Number of Partners*	Legal statute	Date of launch	Year of closure	Invoicing /month (€)	How did it close
E1	Female	60	11th grade	Nothing	Pension	Viana	Retail	3 (children)	LC	2001	2006	65000	Closed
E2	Female	38	Higher	Employment	Employment	Famalicão	Restaurant	3	LC	2007	2010	40000	Sold
E3	Male	59	11th grade	Retired	Spouse	Amarante	Retail	1 (father)	LC	1980	2016	70000	Sold
E4	Male	44	Attend. Higher	Emigrated	No	Amarante	Textile	1	LC	1991	2006	?	Insolvency
E5	Female	38	Higher	Set up other company	Spouse	Porto	Cryopreservation	1 (husband)	LC	2004	2015	?	Insolvency
E6	Male	36	Higher	Employment	Employment	Covilhã	Restaurant	1	LC	2015	2021	10500	Closed
E7	Female	50	10th grade	Sought employment	Spouse	Viana	Retail	0	ILLE	1990	2015	?	Closed
E8	Female	51	12th grade	Home production	Spouse	Porto	Artisan chocolate	1 (husband)	LC	2006	2021	9000	Closed
E9	Male	46	9th grade	Passed away	No	Matosinhos	Restaurant	1	LC	2011	2021	?	Insolvency
E10	Male	45	9th grade	Emigrated	No	Valongo	Electricity	0	ILLE	2003	2015	15000	Insolvency
E11	Male	40	9th grade	Emigrated	No	Maia	Carpentry	0	ILLE	2002	2012	12500	Insolvency
E12	Male	41	9th grade	Emigrated	No	Porto	Metal working	0	ILLE	2000	2013	30000	Insolvency
E13	Female	47	11th grade	Sought employment	Spouse	Gaia	Hairdresser	0	ILLE	2006	2020	7500	Closed
E14	Male	61	Primary	Emigrated	No	Espinho	Painting	0	ILLE	1990	2014	15000	Insolvency
E15	Male	47	8th grade	Sought employment	Property rentals	Gondomar	Restaurant	2	LC	2003	2020	8000	Closed
E16	Male	55	9th grade	Sought employment	No	Porto	Restaurant	2	LC	2001	2020	12000	Closed

LC – Limited company; ILLE - Individual and limited liability establishment; *Number of Partners – This number corresponds to the number of partners in addition to the entrepreneur under study.

Table 3.1. Summary and details of entrepreneurs and their businesses

3.5. Data analysis

We structured the information, classified it in accordance with the characteristics of the respondents and their companies, the causes of failure, and the reasons attributed, as analysed by the entrepreneurs, the solicitor, and the family members, depending on the case. We were thus able to obtain profound knowledge of the theme under analysis. We then compared the case studies to identify their differences and similarities and the influence of determined factors.

The process then led to the attribution of subcodes in accordance with the different aspects referenced by the interviewees, before arriving at the structure detailed in Figure 3.2. These failures involve two core facets: their causes and their consequences. Analysis of the data underpinned the identification of four key causes for failure: company finances; national fiscal and justice policies; company management; and the characteristics of the entrepreneur. In 2020 and 2021, there appeared a new cause – the COVID-19 pandemic that hit many companies, especially restaurant and hairdressing businesses, whose failures may fall under the auspices of company finances due to drop in turnover. The consequences span two types, financial and emotional, with the former substantially conditioning the latter and with both impacting on entrepreneurs' recovery from EF.

To better understand the data collected and the analysis carried out, we provide a brief summary of each of the 16 companies in Appendix 3B. Appendix 3C provides a wide-ranging account of representative quotations from the interviews, which empirically support the interpretation of the themes according to their order and aggregated scale.

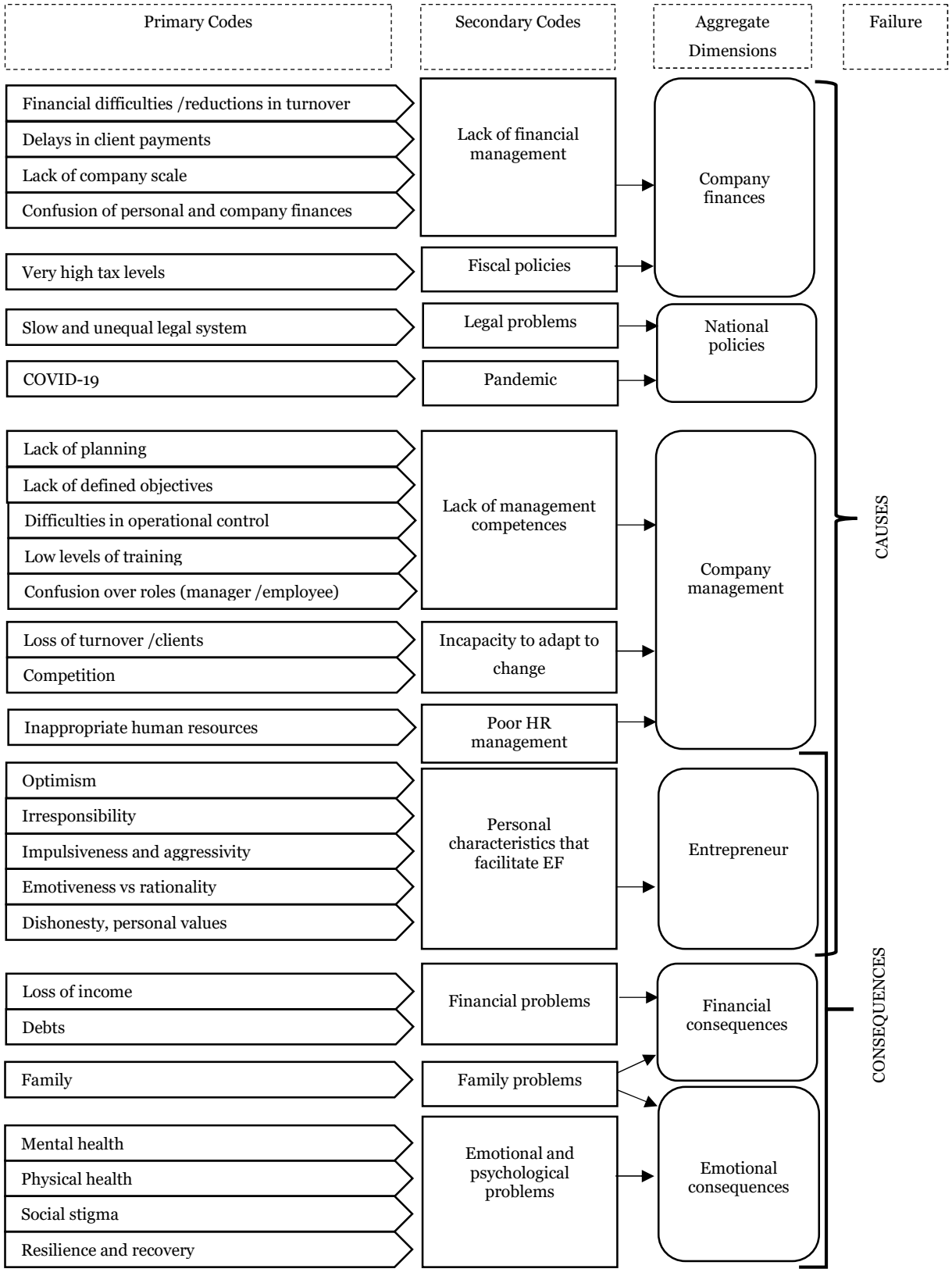


Figure 3.2. Data structure

3.6. Discussion

3.6.1. The causes of failure

The identified causes of EF divide into four main groups: financial (Nitani et al., 2019) and fiscal factors; problems with the legal system, which is difficult to access and does not respond within meaningful timeframes; management and organisational difficulties (Mellahi & Wilkinson, 2004); and the personal and psychological characteristics of the entrepreneur, which may or may not facilitate EF (Filho et al., 2017). The financial factors are highly serious and stem from diverse causes. One of those most commonly referenced by interviewees is delays in payment (Intrium Justitia, 2017). When a company does not receive payment within the stipulated time, this causes an immediate drop in its liquidity in keeping with the associated costs (of any good or service, including taxation). Furthermore, the state itself fails to pay within the stipulated legal periods (Intrium Justitia, 2017). This triggered a wave of insolvencies when the state commissioned large-scale projects from major construction firms that were then outsourced to smaller companies. Payment delays prevented these large companies from paying their suppliers, which drove a chain of insolvencies, reflecting the limitations of a financial structure that buckles under the weight of payments made without receipt of payments due, as described by the solicitor.

The entrepreneurs attributed some of their financial problems to banks because, as the companies had good cash flow with the bank and a good treasury position, the bank manager would propose loans for new cars/vehicles, more modern equipment, and so on; that is, they were always encouraging investment through recourse to financing. Entrepreneurs would often go along with this line of thinking due to the social position they desired and images of prosperity and success. However, when the unexpected happened, they encountered great difficulties in repaying their debts. Furthermore, entrepreneurs commonly do not understand how responsibility in such cases derives from their poor financial management.

Appendix 3D sets out the reasons for failure with the opinions of the interviewees contrasted with the opinions of family members and/or the solicitor. A lack of capacity for analysing the root causes of identified problems is clear in several cases. The enormous tax burden placed on companies deepens these problems that all entrepreneurs complained about. Over the past two decades, between 2000 and 2021, the fiscal burden on employment rose by 4.5 points in Portugal, from 37.3% to 41.8%, while the average trend for the Organisation for Economic Co-operation and Development (OECD) went in the opposite direction: in the same period, the average tax wedge dropped 1.6 percentage points, from 36.2% to 34.6% (Braz et al., 2022). This reality substantially weakens the financial capacities of these companies, undermining their resilience and boosting the likelihood of failure in the event of any extraordinary situation.

Therefore, when financial difficulties do appear, some entrepreneurs make recourse to amounts already received from clients in the form of value added tax (VAT). This means, further, that when they need to make VAT payments to the state, they cannot meet this duty and enter into debt with the state, which is difficult to clear and brings added problems. This lack of payment constitutes a crime of abuse of fiscal trust, as is payment outstanding to the social security system, and it can potentially even incur a prison sentence.

In addition, the state holds the respective managers/owners responsible for the company's debts, executing and seizing their personal assets. The reasons that can happen stem from another important factor: lack of management competencies and financial literacy. In microcompanies, entrepreneurs become confused with the companies they found (Cardon et al., 2005) and perform various roles simultaneously in them. According to the solicitor, entrepreneurs are the managers, workers, and supports of any company, which entirely depends on them and their capacities. Indeed, as daily work tasks need completing, management gets overlooked in a situation compounded by the competencies in this field being usually limited or nonexistent. When the company runs into trouble, entrepreneurs feel that they failed and that part of them has disappeared and can feel pain comparable to that of having lost somebody beloved to them (Shepherd, 2003). As E1 stated:

> *It was really difficult. It's seeing what you created fall to pieces, and we go with it. It really hurt and I was left very low, without the motivation to go to work …*

In having to simultaneously perform various roles, the entrepreneur spends less time on each dimension and thus cannot attain optimal levels of performance, with the situation generating substantial mental confusion.

> E8: *And it wasn't easy. On the one hand, being on the production side and on the other managing the company, speaking with clients, attracting them, speaking with suppliers, looking for suppliers, making the deliveries, etcetera.*

Entrepreneur E6 holds a degree in management and the business was successful, and its expansion was planned until the COVID-19 pandemic closed bars and restaurants for a prolonged period, suffocating the business. However, the entrepreneur quickly realized the severity of the problem and closed the company before the issue escalated too much. The same situation also prevailed in other cases (E13, E15, and E16) that shut down because of the pandemic. In these cases, the cause of EF clearly derived from restrictions imposed due to the pandemic that had devastating effects on the sectors in question (Dörr et al., 2022). One facet referenced by some entrepreneurs is the scale of microcompanies, which places them at a disadvantage relative to large-scale companies.

E3 describes how:

> *… as microcompanies, we don't have any voice. They do what they want and to who they want, and us, if we get angry, we're left without any product to sell. So, we had a lot to put up with.*

E1 and E7 refer to problems arising from changes in the marketplace (Zhang et al., 2018). This reflects to a certain extent the incapacity, on the one hand, to predict market trends and, on the other, to adapt to them:

> *The fairly big fall in money from emigrants visiting from France, who stopped buying like they used to buy (…) and as well as the moving of the market from Viana to the periphery of the city, which was further out, and people stopped gathering in the central zone. There was no longer that agglomerations of people; they began dispersing and going more to the hypermarkets that had opened in the meanwhile. (E1)*

> *When the hypermarket opened, people all flocked there; they had free carparking, they had all the products together in the same place, and this affected local retail. (E7).*

Such difficulties may not even be identified in due time, and entrepreneurs consider that they are powerless to act because they cannot change what is happening to them.

> *The staff cannot do the things if you do not tell them what they have to do, how, and when. Even to clean the dust, you pretty much have to tell them to do it. This limits everything, as we have to take responsibility for everything, be always thinking about everything at the same time, and you really can't delegate. (E7).*

> *It's difficult to find staff who can do this work, because it's very tiring and very detailed … I tried to get my sister to help me but that also didn't work out. (E8)*

This lack of appropriate human resources obliges entrepreneurs to take on a series of operational tasks, which places them under an excessive burden and lowers the quality of results, interfering with general management. This also stems from the inability of the manager to recruit appropriate staff, whether due to the lack of knowledge or because, in most cases, they are not in a position to pay above the minimum wage and are hence unable to attract staff with the necessary skills and competencies. Also happens that entrepreneurs, who themselves may have low levels of schooling, refuse to hire somebody with a university degree, for example, as they feel intimidated and fail to grasp the value such a person may bring to the company. For the same reason, staff sometimes do not receive training as, on occasion, they leave the company to set up their own ventures, taking along their former employer's clients. This was the case with the companies founded by entrepreneurs E10 and E12, confirmed by the solicitor.

In addition to these four factors, one of the entrepreneurs (E3) referred to problems with the legal system or, more specifically, with the lack of justice handed down swiftly enough to resolve problems in due time. Furthermore, microcompanies do not have the means to access the best lawyers and are broadly unable to get courts to resolve their problems, and therefore may not make recourse to the legal system. S also confirmed this reality.

All this allows us to conclude that proposition 1 is true. The political, legal, economic, competitive environment, market, and its evolution contribute to the failure of microenterprises regardless of the type of management and characteristics of the entrepreneur. Proposition 2 is also true because the company's characteristics, such as its size and the absence of management skills, increase, in fact, the likelihood of failure of micro-enterprises.

3.6.2. The consequences of failure, recovery and re-entry

Failure has two types of consequences: financial and emotional. The financial consequences strongly condition the emotional impacts, which are furthermore subject to the influence of the characteristics of the respective entrepreneur. In cases in which the loss of the company implies loss of income essential to the household, the consequences may be tragic. This situation occurred in cases where the company entered insolvency and the entrepreneur was left holding debts to other entities and the state. From the sample studied, we can report that, in the wake of EF in which the entrepreneur is left financially unable to support themselves and their families, the solution was to emigrate – because the entrepreneur was either unable to find employment in Portugal or any employment they could find did not pay enough to cover their debts and their personal and household costs.

This situation caused very serious emotional problems, leading, in one case, to the early death of one entrepreneur (E9) following a stroke brought on by psychological problems to do with the inability to resolve such issues. The others considered full recovery to be impossible. The gravity of the situation and the pain it caused had changed them as people. They stopped trusting, lost hope and were unable to escape the feeling of loss, even though it generally faded over time. They had lost their happiness and will to live. They shuffled on in life, having lost the optimism that motivated the business opening.

> *I've never since been the same person since going through that thing*. (E12)

or

> *I'm still not well and it's already been over 10 years. What happened was so bad, it hurt so much, that I cannot forget. It changes us. Now I'm another person.* (E11)

These entrepreneurs generally have lower levels of education and were raised in more disadvantaged social surroundings. They demonstrate major shortcomings in their capacities for analysis, evaluating situations, and quickly understanding problems and, consequently, in their ability to resolve problems in the best way possible and in time to avoid the worst consequences.

They also suffer most from stigma, especially when living in small and close-knit communities. They suffer reputational damage, feel that others are gossiping about their difficulties, and struggle greatly to deal with the situation. E9, E10, E11, E12, and E13 described this issue, expressing their unease and stress over the stigma they and their families were subject to.

On the other hand, in those cases where EF did not jeopardise the income necessary for survival and upkeep of the household, financial consequences of varying levels of gravity were easy to resolve, as referenced by E2:

> *Not many financial problems, because I had a job for 40h/week. However, this caused emotional and psychological problems that were complicated to resolve.*

Although clearly unpleasant and difficult to overcome, this emotional consequence does not compare with the other cases described above. There were no serious illnesses or psychological issues to resolve, even though individuals were physically affected, for example, through hair loss (E5), lack of control over glucose levels in the blood (E3), and deep sadness (E13). All were able to recover. The length of time for recovery was variable and depended to a large extent on the psychological characteristics of the entrepreneurs and the people surrounding them. Those displaying a great tendency to anxiety tended to take longer:

> *I was very sad, very nervous, my tension got even worse. I got very anxious. It took over two years to recover and that was because I found another job that I like very much.* (E7)

as did those whose family support was not what was needed or expected:

> *At the time, it was difficult because a company failure impacts across many levels. Because we feel that the other persons, those who are by our side, make us pay for this, especially parents, the family, they hold us responsible for this. It took a lot of time, perhaps about eight years, until the situation completely calmed down.* (E2)

Without exception, the entrepreneurs stated that their EF was one of the worst situations they had ever been through, that it was highly painful and called into question their self-esteem. The sense of not having achieved the objectives that had driven them left an inner emptiness that took time to fill. However, in the absence of serious financial problems, people recovered from the loss and associated negative feelings sooner or later.

> *It was very difficult. It's seeing everything you've built fall apart, and you go with it. It hurts a lot. And you really feel very low, without the motivation to go to work …* (E1)

Another factor that has been studied is the effect of resilience on EF (Corner et al., 2017), considered as the capacity to maintain relatively stable and healthy levels of psychological and emotional functioning over the course of time after having suffered trauma or serious loss

(Bonanno, 2004). The findings of this study report that whenever a financial loss is serious and deeply alters family life, levels of resilience are lower than in cases where entrepreneurs manage, in whatever way, to maintain financial and family stability. This seems to indicate that resilience is not only a personal characteristic but also that the situation influences it.

Entrepreneurs who had very serious financial consequences due to the failure of their businesses vehemently refuse to enter into another business. The pain was too great for them to even consider the possibility of going through a similar situation in the future. As E4 says: "*I got scared and that's why I won't get involved in another one*." "And E6, which didn't have very serious financial consequences, says about their recovery and a possible re-entry into another business: "*That (the recovery) wasn't difficult, but I won't be opening any more businesses*." But even those who did not have serious financial situations, except for two female entrepreneurs, do not want to create another business. Although the pain does not compare with the previous ones, it was strong enough for them not to want to repeat the experience. Only entrepreneur E5 said in response to how she reacted to the loss of her company: "I created another company.". The other entrepreneur who also created another company (E5) did so because she became unemployed and felt "too old to be hired and too young to retire". And her family couldn't maintain the desired standard of living with just one salary.

3.6.3. Entrepreneurs characteristics and entrepreneurial failure

The psychological characteristics of entrepreneurs determine not only the success or failure of their companies but also how they deal with insolvency. This study conveys how certain characteristics are capable of inducing failure. Irresponsibility is one of the characteristics that emerges most frequently in these cases of failure, alongside impulsiveness and aggressiveness driving decisions, which are then not followed by appropriately deep reflection. These characteristics very often lead to poor decision-making, with potentially harmful consequences for the company. The identification of these characteristics emerged from analysis of the posture of respondents in interviews and their tone of voice, as well as from conversations with family members and the solicitor. Not one of the entrepreneurs interviewed referenced this type of characteristic.

However, without exception, they self-identified as optimistic or comparatively optimistic (where individuals perceive the future more promisingly than others). Such self-identified optimism may be just as harmful as this, in some ways, reflects the idea held by the person that they are better, know more, or are sharper than others – and this may be associated with impulsiveness and raise the likelihood of bad decision-making. All the interviewees considered themselves more emotional than rational, while acknowledging that a certain rationality helps

them think better. Impulsive individuals tend to let their emotions dominate their decision-making, which may have negative consequences, as with various entrepreneurs studied here, especially those entering insolvency. Examples include taking out loans based more on an emotional basis than on rational thinking, which led to very serious consequences. Another important aspect is honesty. The majority of the entrepreneurs studied do not seem to have been completely honest, particularly in regard to moral honesty, stating one thing and then contradicting themselves without realising it. This is reflected in the lack of trust that they expressed and may be the beginning of a snowball-type process in which everybody distrusts everybody else (clients, suppliers, partners), with deteriorating relationships and less favourable outcomes for business as consequences. This is very common, according to one of the interviewees (E3), and it was echoed by the solicitor S. E3 states:

> *Today, I would probably be able to have gone into business earlier with X (who bought the company). Perhaps, maybe, I might still be working if I had done this. But he is not totally honest. He is dishonest and people are all dishonest. I still haven't met anyone truly honest.*

Entrepreneur E5 refers to how one of the various causes of company failure arose from personal values (Klimas et al., 2020)

> *(…) we understand that our values are not those that are prevailing. Nobody functions like us and in an environment in which everybody acts in a certain way, whoever is outside that scheme faces a lot of difficulties. But we cannot give up on what we believe in.*

Calmness and the capacity for reflection are other important characteristics for successful results because final decisions are better. This is also very relevant to avoiding *a priori* judgements without considering the entire situation and hearing out all those involved, resulting in less than optimal decisions. The capacity to deploy meaningful impression management strategies, processes that attempt to control the impressions caused by social interactions, may help to reduce social stigma (Kibler et al., 2017), which is a highly important factor to the mental health of entrepreneurs in EF and reflects the difficulties of living in environments that trigger feelings of stigma.

We also verify how, in smaller settlements, where everyone in the community knows each other and their situation, these issues become substantially worse, as the solicitor explained. Impression management strategies would seem to be a strategy that some interviewees used to avoid social stigma. It was unclear whether the entrepreneurs were fully aware of this option; it may have been a form of protection through a narrative in which they do not accept guilt or identify themselves as causing their own failure. For example, they attribute the company closing to tiredness, age, or having had a takeover proposal. Furthermore, family and friends also confirmed such situations in cases when we were able to check these sources.

This shows that proposition 3 is true, that is, *the personal characteristics of entrepreneurs have an impact on the likelihood of failure of micro-enterprises.*

3.6.4. The impact of failure on families

We also conversed with some family members of the entrepreneurs participating in the study (E1, E2, E3, E4, E5, E8) to ascertain the effects of EF on their families. However, with the exception of E4, who entered insolvency and experienced very serious problems, the others form part of the group of entrepreneurs who had alternative means of financial support, whether because they had other jobs or because their spouses were in employment and earned enough to guarantee the continued functioning of the family.

However, there were always consequences for the families. As regards the most serious case of E4, the impact on the family was naturally far more intense. The wife of the entrepreneur in question described the need for great resilience to deal with the problems. Alongside the financial difficulties, these ranged from her relationship with her husband to the question of their children, who were still minors at the time, following her husband's departure to Africa for many years. The difficulties placed their marriage at risk, as it did the emotional stability of the couple and their children, who were then studying and needed an environment that enabled success in their studies, which they achieved. In other cases, the impacts were substantially less and hit especially during the period when the problems began to emerge, namely, when deciding to close and when actually closing the business. This period also required resilience, calm, and the capacity to rationally analyse problems in ways that helped the entrepreneurs ensure they arrived at the best decisions, which did not allow the situation to worsen, particularly financially. In every case, the spouse was informed about the problems in the company and, to a greater or lesser extent, was not caught by surprise. Among entrepreneurs, there is generally the hope that a situation will improve, leading to putting off closing the business or ending their participation in it. As entrepreneur E2 states:

> *Throughout one year, we were putting our money into the company, and this affected the family because there was less for the household budget.*

Families may also assist in some way by freeing the entrepreneurs from the now-toxic relationships they maintain with the company, especially enabling them to feel that they are more than their companies and that even though the businesses may disappear, they shall remain and have their lives in front of them. When the spouse lacks the structure to deal with the situation and is not able to provide the support that entrepreneurs need in such times, relationships frequently also come to an end, and the problems in the company worsen to the point of entering insolvency, as happened in one of our case studies. EF has extreme impacts on families and requires of their members, especially the spouse but also the children and other

close family members, high levels of resilience and courage, and the capacity to support others in the ways they need.

Furthermore, the solicitor confirmed that when companies enter insolvency, the consequences for households may be dramatic. The consequences become particularly severe when the families come from more disadvantaged socioeconomic backgrounds. The divorce rate in the wake of insolvency is high, according to the solicitor's perception, which only contributes to a worsening of the emotional consequences for the entrepreneurs and the breaking up of households.

> *Very often, the other party does not accept being involved in that situation, which leads to divorce …* (S)

Therefore, the propositions 4 and 5 are true whereupon the emotions that failure provokes in entrepreneurs have a great impact on their ability to recover from the loss of their company and on their re-entry into new businesses, and family emotions and family pain have a great impact on the ability of entrepreneur's recover and re-entry in new businesses.

3.7. Contributions

This study set out to answer the following questions: What causes micro-enterprise failure from the entrepreneur's perspective, and how do they cope with the consequences of failure? What is the impact of failure on families, and what role do they play in the recovery of entrepreneurs and their re-entry into new businesses? The main contributions of this study are theoretical, managerial, and policy-related.

3.7.1. Theoretical contributions

From a theoretical perspective, we enhance the understanding of the critical role of entrepreneurs and their families in the failure of micro-enterprises. Micro-enterprises are like extensions of the entrepreneurs themselves (Cardon et al., 2005), and thus, it is crucial to examine the phenomenon from the entrepreneur's perspective to comprehend the failure of this type of enterprise. We achieved this by demonstrating how they feel throughout the process and how they analyse the failure of their firms and its consequences.

A second contribution of this study is to focus on the failure on microenterprises from southern Europe, a reality that has been little studied though fundamental to understand. Past research (e.g., Franco & Haase, 2010) identified some factors responsible for the poor performance and failure that small and medium-sized enterprises face in the region, while Dias and Teixeira (2017) studied consequences of EF, namely subsequent re-entry to other businesses. We

advance these studies by not only improving their reliability by using a much larger sample but also by showing that in addition to the factors earlier identified, others like lack of training and knowledge, as well as the socioeconomic level of the entrepreneurs, can lead to EF. We also conclude that it is difficult for the microentrepreneurs who failed to reenter into other businesses because of the great pain they suffered, which they do not want to repeat.

Third, this study is innovative regarding the impact of EF on entrepreneurs' families. We uncover the decisive role that families have in supporting the entrepreneur during EF. This advances past literature (e.g., Revilla et al., 2016; Yu et al., 2020) by showing how families can strongly contribute to entrepreneurs' total recovery or, on the other hand, constitute another serious problem that will put them in a position which it will be very difficult to get out from.

Fourth, this study shows the crucial importance of the financial consequences of EF both for the mental and physical health of entrepreneurs and for their subsequent re-entry into other businesses, drawing attention to the crucial role of the family in this process. Families may enhance the entrepreneurs' recovery or contribute to its impossibility, worsening the emotional consequences of EF. Past research on this matter (Revilla et al., 2016; Yu et al., 2020) talked about the effect of family involvement in management to reduce the risk of EF, and the relationship between EF and conflict between work and family. However, our findings allow us to advance the entrepreneurship literature, as we show the important impact of families on the recovery of failed entrepreneurs, namely through offering emotional and financial support.

3.7.2. Managerial contributions

From a managerial point of view, this study may contribute to different approaches to microcompanies, which represent a company type with very specific characteristics that require a different approach. Given that microcompanies account for around 96% of private sector firms, 40% of employment, and 20% of GDP in Portugal (Duarte, 2022) and are different to other larger-sized companies in facing their own particular problems, we consider that make sense to separate them from the SME category. This would require public policies, incentives, and supports especially designed for this company scale. One example would be the development of support networks to exchange opinions and partnerships. This could be achieved by ensuring contact between national companies about resolving some of the problems inherent to their lack of scale, especially negotiating with larger suppliers, internationalisation, and contracting basic support services.

Launching a type of observatory to systematically analyse the performance of this sector and issue feedback alongside the entities responsible may be able to provide support focused on specific difficulties. In this way, it could generate the positive impacts that enable Portuguese microcompanies to be more successful, reduce their likelihood of failure, and draw attention to

their specific problems through appropriate channels. As delays in payment represent a very serious national problem with disastrous consequences for microcompanies, it would require the adoption of good payment policies, in both the public and private sectors, with regular inspections and considerable fines, proportional to company size, for those failing to contribute to resolving this problem (Duarte, 2022).

3.7.3. Political contributions

From a political perspective, these results could contribute to reduce the failure of microenterprises. This study showed that microenterprises need a reduction in the tax burden and the fiscal mechanisms currently strangling them. On the other hand, the lack of a fair, fast, nonbureaucratic justice system with adequate costs is one of the causes of many problems that small companies face. It is urgently needed to speed up justice, simplify it, and bring it closer to citizens and companies so it can solve problems promptly.

We also need educational policies that promote the training of entrepreneurs and businesspeople to better manage their companies by increasing their technical knowledge and self-knowledge. This training can be at the level of bachelor's and master's degrees that train people with comprehensive skills that allow them to create and develop companies that are more robust and more resistant to the crises and difficulties posed by an environment in permanent change. But there is also a need for lifelong training that will allow older entrepreneurs with practically nonexistent basic training to be able to adapt to the current business world, which barely resembles the one in which they often started their companies. Thus, higher education should try to approach companies, especially microbusinesses, who have the most difficulty understanding the importance of knowledge and therefore do not seek it.

3.8. Limitations and future research lines

The main limitation of this study is its basis in the experience of a limited number of entrepreneurs. This problem is due to the difficulty of finding entrepreneurs willing to talk openly about their failures to strangers. It would be very relevant to establish a database enabling the implementation of quantitative studies to understand the impacts of failure on microcompanies at the regional and national levels. Access to family members of entrepreneurs was limited. Future studies could encompass larger samples of family members, not only of entrepreneurs but also of members of staff and their families who might have important input to grasping the issues from a broader perspective. Another limitation was not studying the effects of company size on internal and external processes.

Further studies could try to understand the impact of the lack of scale of these companies across their various internal and external processes, for example, in procurement, capacity to take out loans, internationalisation, and digitalisation, among others. This would return a better understanding of the issues and thus help better define policies and specific support schemes to help avoid the failure of microcompanies. The entrepreneurs studied referred to the inability of institutions to provide the necessary support when needed, as was clear in the crisis situation of the COVID-19 pandemic. It would be interesting to study, on the one hand, the effects of this abandonment on the EF and, on the other, to understand what is preventing institutions from reaching the entrepreneurs who need them when they need them. Few longitudinal studies still analyse what happens between microbusiness inception, failure and re-entry. Such studies would allow us to understand how entrepreneurs evolve over time and the relationship between this evolution of failure and re-entry. Another study that remains to be done relates to digital entrepreneurship powered by the COVID-19 pandemic and its failure.

3.9. Conclusions

The study returned the perception that EF is not just an event but rather a process (Jenkins, 2022) that extends through time, with consequences of greater or lesser extent for the entrepreneurs. The gravity of the consequences depends on the personal characteristics of entrepreneurs, reflects their capacity to recover, and is also strongly influenced by the behaviours of their families. One of the main conclusions of this study is that entrepreneurs simultaneously influence the causes and the consequences of EF.

Failure in microcompanies focuses on entrepreneurs. These individuals thus influence some of the causes of EF (financial and management factors) as well as the financial and emotional consequences that, in turn, impact and condition the lives of the entrepreneurs themselves. Financial consequences greatly condition emotional impacts, and both reflect on recovery and have effects at the family and social levels. For such reasons, integrating the determinist, voluntarist, and emotive approaches may constitute an approach to better understanding the EF of microcompanies (Kücher & Feldbauer-Durstmüller, 2019). Therefore, when the objective is to reduce the number of failures of this company type, it is always necessary to consider the entrepreneurs and their characteristics.

CHAPTER 4 –Learning before, during, and after entrepreneurial failure

4.1. Introduction

Entrepreneurship plays a crucial role in economic development, job creation, innovation and competitiveness, whether in developed or developing economies, and hence the reason many countries strive to foster such initiative (González & Fuentelsaz, 2015; He et al., 2020) Entrepreneurship also contributes towards combatting unemployment, especially among young persons, and improve financial stability (Shane & Venkataraman, 2000). However, EF happens (Shepherd, 2003) and with a corresponding rise in the number of studies focusing on this outcome (Amankwah-Amoah, 2016; Amankwah-Amoah et al., 2021; Eklund et al., 2018), as entrepreneurs account for vital inputs into the creation of wealth (Mitchell et al., 2002).

Failures are common and subject to interpretations by the entrepreneurs as signs that there is no market for the product/service they are supplying or they may consider such failure as a new opportunity (Artinger & Powell, 2016; Hogarth & Karelaia, 2012; Singh et al., 2007). The meaning attributed by entrepreneurs of the reasons for their failure is especially important as this dictates whether or not they continue to engage in entrepreneurial activities (Mitchell et al., 2008). EF does therefore represent a critical event, that is complex and frequently extremely painful but that can also be simultaneously valuable as this may provide an important learning opportunity (Cope, 2011). However, we know little about the emotions that EF entails and how the entire process has on learning and the prevailing awareness about the EF learning as a process happens. With the objective of overcoming some of these shortcomings, this study aims to study learning before, during and after EF. This involves analysing what effect the emotions accompanying the entire process have on learning and the prevailing awareness about this learning. Hence, we ask: how do emotions impact learning and are reflected in post-failure behaviours?

According to Shepherd (2003), over half of the American entrepreneurs have already had prior entrepreneurial experiences and, irrespective of whether their businesses failed, they learned through the real lived experience (Minniti & Bygrave, 2001). Indeed, it makes sense that experiencing EF may enable some type of learning, a research theme that has come in for increasing interest from the scientific community (Amankwah-Amoah et al., 2021, 2022; Lin et al., 2019). In order to study EF, it requires defining unambiguously to enable any comparison of the various different studies (Jenkins & McKelvie, 2016; Walsh & Cunningham, 2016). Indeed, as EUROTAT (2020) points out, the 1, 2 and 5 years survival rates of enterprises were in 2019, in EU countries, respectively, 82%, 59% and less than 45%. Hence, in this work, EF corresponds

to the "cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the entrepreneur" (Ucbasaran et al., 2013, p. 175), which does not necessarily mean the closure of the company but does involved the departure of the entrepreneur on the grounds of an incapacity to resolve the problems faced by the company at that time.

According to Singh et al. (2007), learning takes place more in economic terms than at the social, psychological or physiological levels. However, this should always take into consideration that learning from failure is a consequence and not a planned experience (Lin et al., 2019). While some authors consider that EF represents a pathway to success (Knott & Posen, 2005; Mueller & Shepherd, 2014; Shepherd, 2003), others (Jenkins et al., 2014) consider EF to be a negative experience in which entrepreneurs suffer and lose money and who make recourse to the concept of a learning opportunity to cover up the reality of EF (Coad, 2013).

In turn, Walsh & Cunningham (2016) maintain that further research should focus on the individuals who experience such setbacks in various organisational and geographic contexts with the corresponding need to better explore the affective, cognitive and behavioural responses when confronted by EF.

Boso et al. (2018) propose studying the impact of the process of recovering from the experience of EF on the capacity for learning as well as exploring the relationship between the reasons attributed for failure and the learning experience. Indeed, there is little knowledge on the mechanisms that influence the initial relationship between EF and learning (He et al., 2017). The effects of time are relevant as the emotional response to EF may be mitigated by time and with a further lack of study of this effect on post-EF learning (Jeng & Hung, 2019). Hence, the study of EF and the subsequent continuous learning process constitute facets of this subject requiring deeper research (Walsh & Cunningham, 2016).

In order to answer to our research question, we opted for multiple case studies, undertaking semi-structured interviews with 16 entrepreneurs who have experienced at least one EF and non-structured interviews with their families and friends. Hence, we were able to test the theoretical assumptions and obtain more knowledge on the learning that occurs in micro-companies before, during and after their failure, and also better understand the impact on the entrepreneur and the role of the family.

Our study is grounded on the conclusion that learning is continuous taking place not only throughout the life of the company (learning from peers, learning by doing, learning from feedback from customers and suppliers, learning by copying, learning by experiment, learning by problem solving and opportunity taking and learning from making mistakes) (Cope, 2003, p. 430), but also during and after the business goes under. However, such learning covers different levels of content and intensity dependent on the respective phase. This also clearly portrays the

relationship between the emotions generated by failure and the learning. Furthermore, entrepreneurs are frequently unaware of their levels of knowledge, which may jeopardise the learning. This knowledge may help to better grasp the realities of micro-companies that, in keeping with their numerical prevalence, have a very significant impact on the significant proportion of the population engaged in these activities.

This study thereby makes various contributions to the knowledge on learning during the failure of micro-companies. First, it adds to knowledge about the effects the characteristics of the micro-entrepreneurs have on their learning capacities. Second, it deepens our understanding of the role of emotions in learning capacities and in ascertaining the extent of this learning and its consequences. Third, we also shed light on the effects of family on the entrepreneur reactions and their learning following the failure and the respective consequences over restarting with a new business.

4.2. Theoretical background

4.2.1. Entrepreneurial failure

Companies develop weaknesses (Shepherd, 2003) and weakness represents an important phenomenon whether in relation to the causes or the consequences for the individuals involved, the companies and to society (Cardon et al., 2011). This is one of the most critical events an entrepreneur may go through (Espinoza-Benavides & Díaz, 2019). EF may result from internal (Shepherd, 2003; Singh et al., 2007; Stacho et al., 2017), or external causes over which entrepreneurs have no control whatsoever (Cardon et al., 2011; Mellahi & Wilkinson, 2004; Yamakawa et al., 2008). However, the majority of cases stem from a combination of both facets (Atsan, 2016) even while generating consequences with a far wider reaching scope (Klimas et al., 2020).

Many entrepreneurs commit their own resources to launch and manage their own small businesses, exposing both themselves and their families to considerable financial, economic and social costs in running the risk of owning a micro-company (Cope, 2003). There is thus a close relationship between the performance of a micro-company and the financial wellbeing of the entrepreneur, their families and other stakeholders (Scott & Bruce, 1987), which impacts strongly on the consequences of EF. The owners in the overwhelming majority of cases are also the managers for whom EF represents a painful personal loss (Wiesenfeld et al., 2008) that triggers negative emotional responses. These negative emotions have a major influence on the motivations of entrepreneurs and their subsequent postures. Knowledge of the experience of others, who also failed, recovered emotionally and were subsequently successful, helps in

accepting that failure may represent only one stage in the learning process necessary to acquire the competences necessary to become a successful entrepreneur (Shepherd, 2003).

Ucbasaran et al. (2013) identify the main costs of EF as financial, social and psychological in nature while Klimas et al. (2020) classify them as the direct effects (economic, psychological and social) and indirect effects (pain, learning and recovery), with long term consequences (environmental, organisational and individual). From the financial point of view, entrepreneurs lose or experience a sharp fall in their incomes (Singh et al., 2007) and/or enter into debts which may jeopardise their own means of subsistence and their personal and family wellbeing.

Given there are costs deriving from EF, this raises the question of knowing how entrepreneurs deal with these costs. Dealing with problems requires a set of cognitive and behavioural strategies adopted to reduce or tolerate the internal and/or external demands created by the event irrespective of the success or otherwise obtained. According to Folkman (1984), there are two strategies for dealing with problems: one focused on emotion, to regulate the emotions and/or the anguish, and another focused on the problem, on managing whatever needs managing. However, there are entrepreneurs that limit this cost by stipulating from the outset, the maximum amount they accept losing and from which point onwards they leave the business, which emotionally facilitates the departure from the company alongside limiting the negative consequences of EF (Dew et al., 2009).

At the social level, EF generates impacts on both the personal and the professional relationships of entrepreneurs, with stigma representing one of the key problems (Shepherd & Haynie, 2011), potentially reducing future employability and access to entrepreneurial financing coupled with the perceived loss in status and isolation (Singh et al., 2007). In psychological terms, the emotional and motivations aspects are important. EF leads to a set of negative emotions that span pain, remorse, shame, humiliation, anger and guilt as well as fear of the unknown (Cope, 2011). The pain may trigger anxiety, panic attacks, phobias, rage and, in some cases, physiological symptoms such as exhaustion, high blood pressure, insomnia, loss of weight or others that reflect the general framework of depression of varying levels of severity but that impact adversely on motivation (Singh et al., 2007). The lack of motivation may stem from feelings of helplessness leading individuals to doubt their own capacities (Cardon & McGrath, 1999). That EF takes place in the view of family, friends and the society with which entrepreneurs engage may serve to intensify these feelings, already themselves negative, of humiliation, guilt and remorse (Cope, 2011). All of these factors interrelate and may mutually compound each other (Ucbasaran et al. 2013)

We may also report that learning capacities also shape post-EF behaviours (Jeng & Hung, 2019) just as these behaviours also influence learning (Eggers & Song, 2015). Learning thus stands out

as one of the most important consequences of EF and has come in for study by various authors (Cope, 2011; Shepherd, 2003; Yamakawa & Cardon, 2015) within the scope of entrepreneurship.

4.2.2. Learning

In small scale companies, knowledge primarily arises from "learning by doing" (Dalley & Hamilton, 2000) and by trial and error (Franco & Haase, 2009). Learning involves more than simply obtaining and interpreting objective knowledge. Entrepreneurs learn from experience to the extent that they gain this (Morris et al., 2012). Politis (2005) considers entrepreneurial learning as a transformation process of lived experiences. In turn, Minniti and Bygrave (2001) maintain that knowledge acquired through "learning by doing" takes place when people choose between alternative actions, with uncertain levels of return and therefore implying risk. Over time, there is the tendency to opt for the choices that produce positive results and discarding those that result in failure. When entrepreneurs make mistakes, they internalise this information for application in future decisions, which also reflects how we learn from our failures and our errors (Minniti & Bygrave, 2001). The ways in which individuals perceive new situations and experience learning during entrepreneurial processes is inseparable from their previous experiences and, therefore, their own respective "history of learning" (Cope, 2005), which is cumulative in the sense that new knowledge depends on and derives from that already existing (Minniti & Bygrave, 2001). Learning does not only relate to understanding what works and what does not work but extends to implying better knowledge about oneself and one's different emotions (Morris et al., 2012), enabling better control over them (Cardon et al., 2012).

When the failure seems to reflect a personal failure, the individual's self-esteem drops and the negative emotions become more intense (Jenkins et al., 2014) and the attribution of failure to external or internal causes correspondingly influences the judgements made about the event (Kibler et al., 2017) and may hinder learning by forming a barrier to growth leading to lower levels of performance (Amankwah-Amoah et al., 2021; Boso et al., 2018). A narcissistic personality may also throw up higher levels of cognitive and motivational obstacles to learning when the social costs of failure are high (Liu et al., 2019).

There is generic agreement that entrepreneurs who fail may learn from this experience (Cope, 2011; Shepherd et al., 2016; Shepherd, 2009a). However, this learning is difficult and neither automatic nor instantaneous nor guaranteed (Shepherd, 2003). According to Fiol et al. (1985), a crisis is a pre-requisite for some forms of learning to take place, describing how "higher level" learning may have long term effects and throughout the organisation. This type of learning process represents more cognitive development than learning deemed of a "lower level", which results only in repetitive behaviours. Higher learning levels furthermore depend on the circumstances surrounding failure and seemingly interconnected with the way the owner lives and goes through this experience (Ucbasaran et al., 2010). However, negative emotions also

affect learning capacities (Isen & Baron, 1991). Hence, a better understanding of how to learn from failure first needs to explore the role of these negative motions (Ucbasara et al., 2013) and grasp just how learning may facilitate recovery and the restarting of another business (Cope, 2011). Self-compassion (Neff, 2003) helps in understanding the relationships between individuals and their negative emotions and as well as facilitating recovery from a traumatic event (Shepherd et al., 2016), contributing to learning taking place.

The results of learning span various aspects. According to Cope (2005), as regards entrepreneurs, this learning may result in deepening the knowledge about their own selves (strengths and weaknesses, capabilities, attitudes, beliefs), about the company (understanding the reasons for the failure) and also for the society surrounding the entrepreneurs (relationship management inside and outside the company context). Such learning will also enable entrepreneurs to expand their knowledge about leadership and how to effectively manage businesses in broader environments (Walsh & Cunningham, 2016) revising their knowledge about their companies and the consequences of their decisions, evaluations, actions and inactions (Shepherd, 2003).

The strongly negative emotions generated by EF, as well as the incapacity to effectively deal with the reasons for the failure prevent entrepreneurs from learning (Cope, 2011; He et al., 2017; 2003), with the tendency to only learn when that learning aligns with previously existing beliefs (Jeng & Hung, 2019). When the costs of failure are greater than the benefits of learning, entrepreneurs abandon their activities, a situation which produces greater losses at both the individual and society levels (Ucbasaran et al., 2013). Hence, the learning stemming from EF also holds importance to society whenever such knowledge undergoes redeployment in future businesses (Walsh & Cunningham, 2016) but also because companies, like people, learn from the failures of others – vicarious learning (Argote et al., 2021).

Behaviours that foster learning – gathering information, searching for the root cause of the problems that led to failure, reflection on relevant experiences – may bring about a change in attitude (Politis & Gabrielsson, 2009; Shepherd, 2003) and help in managing the negative emotions and overcome the emotional obstacles (Cardon et al., 2012) favouring the likelihood of launching new businesses (Jeng & Hung, 2019). Furthermore, there is evidence that the ways in which entrepreneurs respond to failure then influence their learning capacities (Eggers & Song, 2015), with serial entrepreneurs preferring to attribute their failures to external causes that frequently leads to them changing the sector when starting a new business while maintaining the previous strategy, planning and decision-making processes and not displaying any level of learning. Hence the idea of unlearning in order to then learn again proves attractive (Martignoni & Keil, 2021) in the sense that entrepreneurs should unlearn that which they perceived as correct about the way they acted and learn from the experience of EF to boost the probability of success in their next venture.

The speed at which the failure occurs is another relevant factor for the learning capacity and, when fast, means that the learning shall depend on the capacity of entrepreneurs to regulate their emotions (He et al., 2017). One of the aspects that entrepreneurs consider as among their most important learnings relates to interpersonal relationships, which generally leads to the conclusion that they should not have trusted certain persons, who ended up as critical to the EF occurrence, which implies problems for future cooperation and collaboration (Atsan, 2016).

4.2.3. The emotions and failure

Entrepreneurship intertwines with affections and emotions (Cardon et al., 2012). Consequently, EF also acquires a profoundly emotional dimension resulting from the pain associated with losing the business (Shepherd, 2009a), very often comparable with losing a loved one (Shepherd, 2003). EF does not only interconnect with the loss of the business but also to the personal damage and losses that span various different spheres connected to the lives of the entrepreneurs (Cope, 2011). While both positive and negative emotions influence behaviour, the evidence suggests that the negative may generate disproportionately stronger effects and, therefore, generating a greater overall influence over both the favourable and unfavourable outcomes of EF (Morris et al., 2012). The complex interrelationship between the emotional and social costs of failure influences the experiences capable of fostering learning (Cope, 2005).

A relevant facet when seeking to analyse the responses of individuals to problems is their respective personalities. The definition of personality spans the set of psychological characteristics that determine the patterns of thought, feeling and action, rendering us as individuals simultaneously similar and different to each other (Carver & Connor-Smith, 2010). The five factor model proposes that personality contains a similar number of core dimensions (Digman, 1990): extroversion, neuroticism, agreeability, conscientiousness and, finally, openness (Carver & Connor-Smith, 2010)

Successful business activities depend on the capacity to continually update expectations, which ensures learning constitutes an essential factor for success (Amore et al., 2021). Optimism is important to perceiving how to cope with problematic situations (Ucbasaran et al., 2010), and generally considered a typical characteristic of entrepreneurs (Liang & Dunn, 2008). Optimism reflects the extent to which persons hold positive expectations about the future and the different ways of perceiving more problematic situations interrelated with the level of optimism of each particular individual (Carver & Connor-Smith, 2010).

Over the course of their lives, the majority of people will experience threatening and disturbing situations. A key concept when analysing responses to such types of experience is resilience, a concept that differs from recovery. This relationship with trajectories in which the normal functioning temporarily gives way to liminal or subliminal psychopathologies (depression or

post-traumatic stress), generally for a limited period of time, and the capacity to gradually return to pre-event levels (Bonanno, 2004). In turn, resilience encapsulates the capacity to maintain relatively stable and healthy levels of psychological and emotional functioning throughout the period after a traumatic experience or serious loss and may be subject to development (Corner et al., 2017), classed as a protective factor when having to deal with traumatic events (Bonanno, 2004). Resilient individuals are better prepared than optimists to overcome adversities because the latter may not truly grasp the meaning of the adversity and limit themselves to ignoring it while resilient persons tend to adopt more strategic and pragmatic approaches to deal with problems, adapting to be more successfully able to overcome them (Luthans et al., 2006).

The loss of a business may resemble the loss of a loved one, generating a set of negative emotions in entrepreneurs, including a lack of belief in their own capabilities, anger, sadness and guilt that leads to suffering and depression, which interferes in the capacity to process information (Shepherd, 2003). Jenkins et al. (2014) demonstrate how the intensity of the pain felt by entrepreneurs going through the loss of their businesses reflects in a sense of personal failure while concluding there is a great variation in the level of pain felt that reflects how entrepreneurs in no way constitute a homogeneous group (Parker, 2013). Dealing with the situation may help individuals to recognise and accept the nature and causes of their EF even while intense feelings of confusion, pain, anxiety and anger still remain (Shepherd, 2009a).

Another important aspect to dealing with business failures and the resulting negative emotions is self-compassion. This includes three components (Blatt et al., 1982): self-compassion, common humanity and mindfulness. Self-compassion involves showing compassion towards oneself, without which reactions to the business failure may turn into severe self-criticism that inhibits personal growth and the capacity to learn from experience, worsening the pain and the feeling that everything is going to go badly. Common humanity enables the understanding that personal experiences form part of wider human experiences (Neff, 2003). The level of attention individuals attribute to the capacity of relativizing their pain, controlling their thoughts and feelings (Neff, 2003). Whenever striving for the consequences of the failure not to become excessively negative for overly long periods of time, self-compassion helps individuals to take care of themselves, to feel good about themselves and not to judge themselves overly harshly, recognising how the experience has not only happened to them and understanding and accepting their own difficulties and failures (Shepherd et al., 2016). Self-compassion associates with personal growth, happiness, optimism, curiosity and connectivity (Neff & Vonk, 2009) and, thus functions as a factor of protection against negative events in conjunction with resilience (Luthans et al., 2006).

4.3. Methods

4.3.1. Research context and research approach

Like the EU-27, Portugal is characterized by a high incidence of micro and small enterprises. In 2018, Portuguese micro and small enterprises accounted for 97% of companies, 54% of employment and 38% of value added (Alexandre, 2021). Furthermore, in 2018 only 1/3 of managers had higher education, and 45% for SMEs. This contributes to the low productivity of these companies and to the low levels of resilience that make them more fragile, lowering their survival rate, especially in troubled times, such as the current one. It therefore makes sense to study learning as a consequence of EF from the perspective of entrepreneurs. This seeks to grasp just what entrepreneurs who experience the EF of their micro-companies actually learned and how this reflected on their behaviours in the wake of their companies going under and whether or not leading them to start new companies.

To respond to these questions required analysis of how entrepreneurs experienced the EF process. EF has a very deep emotional impact and closely bound up with the social costs (Cope, 2011), with the pain and guilt caused (Shepherd, 2009b) and, especially with the financial costs involved (Shepherd et al., 2009). These emotions interfere with their vision of the problem, the ways they position themselves towards the situation and how they overcome it (Singh et al., 2007) alongside their respective learning capacities (Riar et al., 2021). Given the importance of entrepreneurship in creating wealth for society (González & Fuentelsaz, 2015), studying the consequences of EF takes on great relevance as the tendency to fail remains high (Artinger & Powell, 2016; González & Fuentelsaz, 2015) and such learning may shape the likelihood of launching new ventures in the future (Amankwah-Amoah et al., 2021).

4.3.2. Research design and data collection

The aim this study was understanding if, how, and what entrepreneurs learn from the failures of their companies and what aspects impacted on this learning, so the most appropriate research methodology for these research goals stems from a qualitative approach (Yin, 2018). This type of approach enables the deepening of aspects relating to what happens in real contexts, thus, in the life of each interviewee, concentrating on understanding the dynamics present in unique configurations (Eisenhardt, 1989).

This study analyses 16 cases of EF combining diverse data sources to enable triangulation (Jick, 1979), ensuring consistency and the robustness of research. Interviews took place with the

entrepreneurs and also, whenever possible, with other persons who engaged with these entrepreneurs before, during and after the EF process. In appendix 3A we can see the interview script used. The selection of case studies stemmed from their unique nature and relevance to the research (Crowe et al., 2011).

We collected the data through eight semi-structured interviews and eight structured interviews with entrepreneurs who had been through at least one EF. The interviews were all in Portuguese, the spoken language of all respondents. In the semi-structured interviews, following some closed questions to characterise the company and the entrepreneur objectively, the respondents were able to freely answer the themes proposed by the researcher in keeping with the purpose of the study. This sought to gather all the information the entrepreneurs wished to make available, enriching to the greatest possible extent the research and corresponding deepening the insights into this theme.

The structured interviews raised questions organised around four themes (Byrne & Shepherd, 2013). The first held the objective of the characterising the companies before the second approached the entrepreneurs, the third gathered information on their psychological characteristics before the fourth dealt with aspects relating to their learning both before and after EF. The interviews took place either in-person or via Zoom in keeping with participant availability, between May and July 2022, and lasted for between 30 and 40 minutes. We recorded some interviews by video following the informed consent of interviewees, and in the cases when the interviewees did not authorise recording (corresponding to interviewees responding to structured interviews and encountering difficulties in discoursing on the support without somewhat direct questioning), the interviewer took notes that immediately after the interviews were complemented by all the other information collected during the interview, such as the posture and the emotions expressed by the person. We also talked to the spouses of some interviewees and with a solicitor who closely accompanied the respective insolvency processes. In these cases, there were no interviews with the option in favour of informal conversations.

4. 4. Results

To study EF is challenging in terms of accessibility and willingness of participants to share their experiences (Riar et al., 2021), but it was possible to find a sample of entrepreneurs with different backgrounds, experiences, feelings and attitudes towards the company and failure, enriching the conclusions. They have different levels of education, different types of entrepreneurship and failures, different ages and genders.

The characterization of the interviewees is shown in Table 4.1. The sample is made up of 10 men and 6 women, whose average age is 47.3 years old, ranging between 38 and 61 years old. The level of education ranges from primary to higher education. After the EF, the already retired

entrepreneurs and those who were employed remained in the same situation. The others looked for a job, in Portugal or abroad and two created other companies. Nine had other income in addition to that obtained through the company and seven did not. The companies were located in the north and centre of Portugal and belonged to several sectors. As a result of the failure, one company closed (9 cases), others were sold (2 cases) and the others became insolvent (7 cases).

This reflects the existence of two types of entrepreneurs, which are distinguished by the education level, with or without higher education. The last group contains persons with lower socioeconomic and cultural levels, holding less knowledge, fewer analytical capacities and, consequently, with a lower capacity for learning.

	Entrepreneur					**Company**		
	Gender	Age	Education	What they did afterwards	Other income	Age when closing	Turnover/ month (€)	Means of closure
R1	F	60	11th grade	Nothing	Y	5	65000	Closed
R2	F	38	University	Employed	Y	3	40000	Sold
R3	M	59	11th grade	Retired	Y	38	70000	Sold
R4	M	44	Atten. University	Emigrated	N	15	?	Insolvency
R5	F	38	University	Another business	Y	11	?	Insolvency
R6	M	36	University	Employed	Y	6	10500	Closed
R7	F	50	10th grade	Looked for employment	Y	25	?	Closed
R8	F	51	12th grade	Produced at home	Y	16	9000	Closed
R9	M	46	9th grade	Passed away	N	15	?	Insolvency
R10	M	45	9th grade	Emigrated	N	12	15000	Insolvency
R11	M	40	9th grade	Emigrated	N	10	12500	Insolvency
R12	M	41	9th grade	Emigrated	N	13	30000	Insolvency
R13	F	47	11th grade	Looked for employment	Y	14	7500	Closed
R14	M	61	Primary	Emigrated	N	24	15000	Insolvency
R15	M	47	8th grade	Looked for employment	Y	17	8000	Closed
R16	M	55	9th grade	Looked for employment	N	19	12000	Closed

Table 4.1. Characterization of respondents and companies

4.5. Data analysis

The characteristics of entrepreneurs interfere substantially with their learning capacities. Those with higher education display different ways of analysing the realities, which reflect what they were able to learn based on the various experiences that they have been through. Only entrepreneur R3, who does not hold a higher education qualification, demonstrated the same level of capacity. Hence, we may conclude that formal education helps in developing the

cognitive capabilities that facilitate learning even while there are those who develop them without this level of education. This also conveys how the lower the level of education, the greater the difficulties the individuals demonstrated in understanding the reality around them coupled with a lower capacity to analyse as a means of learning lessons capable of helping them in the future. This situation also interrelates with a tendency to attribute the problems to others or to situations that they consider they are themselves unable to control (Riar et al., 2021). As R10 states, after having given in to persuasion to take out a loan he did not need and who did not understand that he had taken that decision, the bank had been the cause of his downfall:

> "*The bank made me pay a loan that I didn't even want and afterwards I was not able to pay for*".

The learning in companies that experience failure that leads them to close, to enter insolvency or to be sold off occurs over three periods. There is learning during the normal functioning of the company before, during and after EF whilst the learning in each one of these periods is different (figure 4.1). However, we may report that all entrepreneurs, without any exception, maintain that it was during the time they had the company that they learned the most and not from the failure. Thus, there was a consensus that running their own businesses provided a very rich source of learning even though stronger in the case of those with greater learning capacities. Furthermore, this learning took place from the successes that they obtained but also and above all from the failures and the difficulties that emerged and required solving over the course of time. Company failure implied pain and a set of powerful emotions, both strong and negative, from which the majority learned something in a conscious fashion. Appendix 4A offers a compilation of notable quotes extracted from the interviews, serving as empirical evidence that substantiates the interpretation of the identified themes in a sequential and aggregated manner.

4.5.1. Learning before failure

Prior to EF, when the company was operating normally, entrepreneurs learn about how the market functions and discover its instability, which they were frequently unaware about prior to opening the company. They also learn about their business area in particular; about the technical aspects but also about the competitors, suppliers and the clients and alongside facets such as accountancy, finances, taxation and legislation and acquire the competences necessary to resolving various problems and dealing with different situations simultaneously. Finally, learning to know oneself a bit better even while this learning may often be only shallow and with a low level of awareness.

According to the entrepreneurs interviewed, the learning during the times of success with the company were far wider reaching. They learned about the respective business whether in terms of how to operate, the legislation, the sector but also about people, understanding how they act

under certain circumstances, for example including the suppliers, the clients and the competitors that represent an important source of knowledge. And, whoever has the capacity to do so may learn a lot about themselves as well. They learned to grasp their feelings in certain circumstances, how to react and how to act to obtain the desired feedback, according to one respondent.

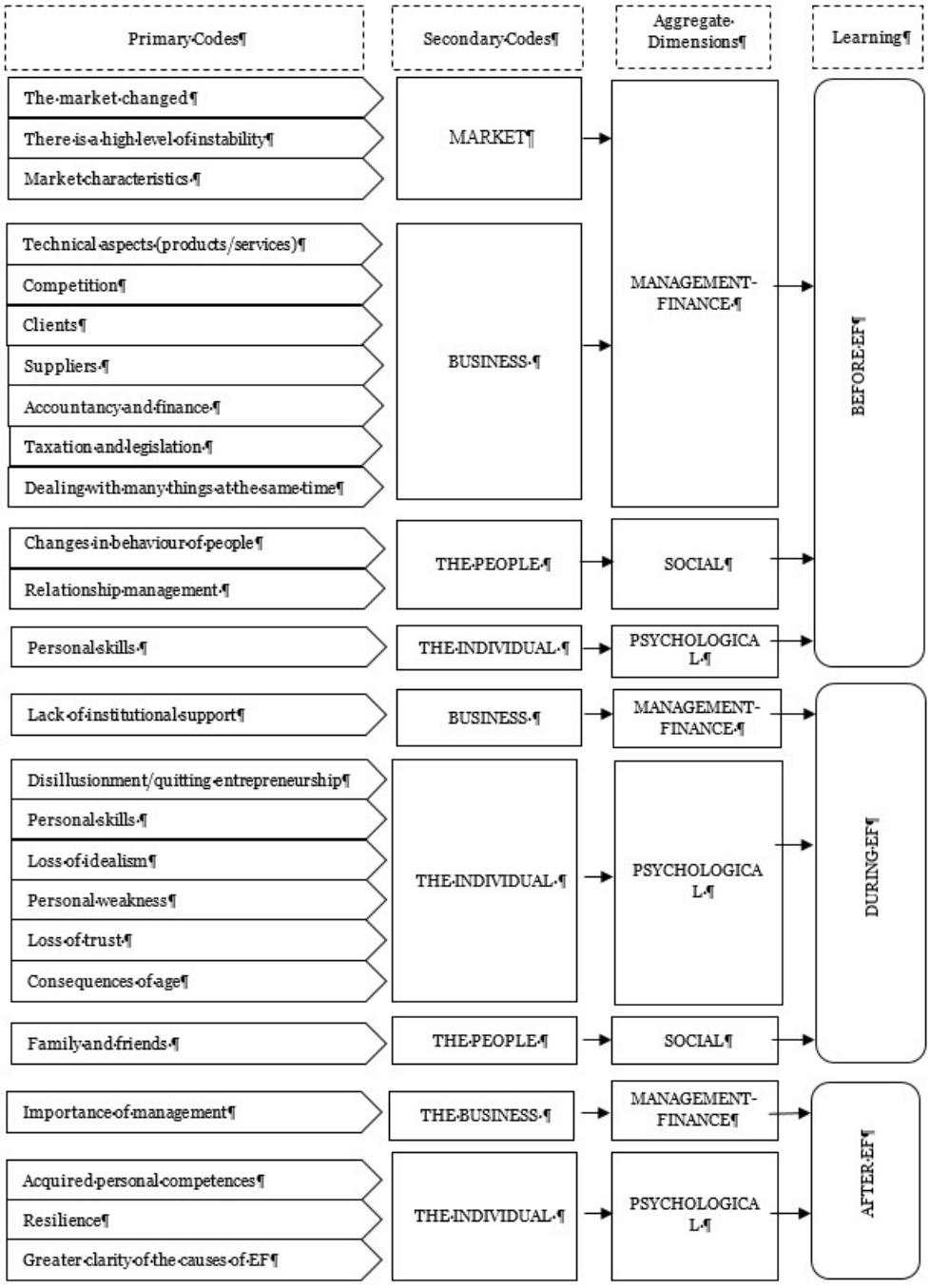


Figure 4.1. Data structure

> "*I learned an immense amount. I learned that there are situations in which the markets change, in which people change, in which you may have that moment of stability but things may still fall apart because not every company acts like you do. I stopped being so idealistic, not that I've corrupted my principles but I cannot start out with the position that the others have the same principles as I do. […] learning how to deal with so many things at the same time, having to manage the frustrations of people…" (R5)*

> "*I learned everything I know today.*" (R3)

4.5.2. Learning during the failure

During EF, emotions tend to be as intense as they are negative with entrepreneurs suffering greatly, going through highly complicated processes of depression, to a greater or lesser extent with serious physical (loss of appetite/hair, increased levels of glycaemia, cholesterol, among others) and psychological (loss of self-esteem, difficulties in thinking clearly, incapacity to take decisions, pain, sense of loss, disillusionment) consequences. Sometimes recovery does not prove possible, especially when the financial loss was sufficiently great to jeopardise the stability of the personal and family lives of entrepreneurs.

In this scenario, learning becomes difficult and increasingly difficult in keeping with the seriousness of the problems and their respective consequences for the physical and psychological health of entrepreneurs. This is especially the case for those entrepreneurs belonging to the group that went into insolvency and thus suffered more deeply. These state that they only learned that they never want to have another company. The solicitor (S) confirmed that these entrepreneurs really did not learn anything important from the process and concurs with how, when the costs of failure are higher than the benefits of learning, entrepreneurs end up abandoning any entrepreneurial activities (Ucbasaran et al., 2013).

> "*…in addition to the intellectual and physical, soul exhaustion blocks the reasoning of people who then can't think, can't learn anything*" (S)

However, entrepreneurs that went through EF but with less serious financial issues did manage to learn during the process. For example, they gained insights into the existence or otherwise of institutional supports.

> "*There's no support from the state. The state doesn't want to know, just wants you to pay taxes." (R10)*

> "*There's no support for anybody.*" (R1)

This attitude reflects the pain, the anger, the ill-feeling that EF generates in these people who subsequently become broadly unwilling to risk going through similar situations in the future. The main reason is this simple desire to avoid repeating the same situation all over again but also coupled with issues such as feeling too old or after learning through the EF that

institutional support would not become available and, therefore, it does not make sense to incur the risk of something going badly especially for reasons beyond their own control (the COVID-19 caused cases).

> "*… with failure, I learned nothing other than you can't be an entrepreneur in Portugal, when there are problems, you're on your own*." (R6)

This learning implies a certain level of introspection that enables them to better understand their own capacities that they have to react against adverse situations. They lose some of their idealism,

> "*I understood that not all companies operate according to our values, I lost some of the idealism that I'd had*." (R5)

understanding whether they really are entrepreneurs and willing to return and the risk of launching another business, perceiving their own fragility and losing confidence both in themselves and in others.

> "*During this process, I understood that age weighs, I lost my will and the capacity to make the effort*." (R3)

> "*I learned a lot about myself, I got to know myself better, understand how I react. It's that we don't really have a notion until we're actually living the situation of how we react, what capacities do we have*." (R1)

They also learn a lot about other people, especially friends and family, perceiving just who they can trust.

> "*I saw who my friends are*." (R10)

> "*I got to understand who my friends were and what family I have*." (R4)

Entrepreneur R2 refers to EF as having taught the need to be very careful about the choice of partner (Atsan, 2016) and, whenever possible, it would be better to only enter into occasional partnerships, which reflect the importance of the reasons attributed the failure (in this case, to the lack of understanding among the partners) (Riar et al., 2021).

> "*… now, I'm far more resistant to partnerships and companies*." (R2)

4.5.3. Learning after the failure

After EF, the learning continues or restarts in the case of those unable to learn during the process and especially focusing on themselves. They analyse how they recover or otherwise, gaining a clearer idea of their real capacities and competences, getting to know themselves

better. In analysing what happened, now already at a distance, they perceive better what went wrong and the importance that management had in the success/failure of their companies.

> "*After the worst passed, I understood what my business was better. A shock of this size makes you think but now it's too late.*" (R12)

> "*At the beginning, I thought that whoever comes out of the faculty has a lot of theory but then doesn't know anything about practice. But, after everything that happened, and having talked to some people, I understand that if I had contracted somebody or done some management training, perhaps I would have been able to resolve the situation.*" (R3)

> "*I clearly understand that we cannot have just one client. It's a very big risk that at the time, I didn't see, I didn't think about…*" (R4)

Learning is a very important consequence of failure, driving a very deep process of reflection about their previous habits and practices and with a majority of the sample studied affirming that they would not be launching any other business. What they had learned, therefore, was either that they lacked the capabilities for such ventures or they knew that they did not have the availability to, despite this, run the risk of having to go through a similar situation all over again. Those who resolved to continue and advanced with new companies, understood during this process of self-analysis that they wanted to create something and that they had the competences necessary to do so. Another reason stems from being unwilling to work for others because, as from a certain age, there is the perception they are too old to work and too young to retire and the only solution to generate sufficient income to ensure their quality of life is to run their own company, now managed with different levels of knowledge about the cause and greater experience.

In the sample studied, only two female entrepreneurs (E2 and E5) went on to open new companies. In the case of E5, despite the setback, she immediately embarked on another business that also went badly and is current developing a third project that has hitherto experienced some success. In this case, these business ventures did generate learning both before and during failures that served to inform the following projects and were simultaneously personally enriching.

> "*To turn it around, I set up another company*."

> "*… I began to perceive that I had the organisational competences and to identify the needs for organisation in myself, but also in others and in organisations. After, I did some training in the U.S., firstly online and then I went there and it was a week of immense learning. It was spectacular. After, when I returned to Portugal, I thought I would conquer the world, that I would be the first professional organizer in Portugal, …*"

> "*…and now with the beer, it's going well, it's still at the beginning and you never know, I learned this as well as dealing with the others, suppliers and clients …*" (R5)

> "*… and so then I thought: Ok, you're doing it! To have a job here until the age of 70, which is when I think I'll be able to stop, I'm going to work the information, facilitation is something that I like very much doing and consultancy as well. I'm going to transform the things, create value and get involved and put a piece of me into what I'm doing.*" (R2)

All other respondents state their key learning from failure as having perceived how they shall "never get involved again with any other".

> " *…I learned that I'll never set up any other. It was really hard and there's no guarantees.*" (R11)

Acting in an entrepreneurial fashion requires the recognition and exploration of business opportunities. This is a process influenced by the individual characteristics of entrepreneurs, such as having the physical and emotional strength to overcome obstacles and the cognitive capacities to resolve business associated problems and to complete the daily activities (Bohlmann et al., 2017) What this study concludes is that entrepreneurs who experience EF resulting in more serious consequences do not demonstrate they have obtained these cognitive capacities.

Definitions of entrepreneurship include the discovery, evaluation and exploitation of opportunities to create new and useful products and services (Shane & Venkataraman, 2000). Only R5 would seem to resemble this definition, for whom the launching of companies involves generating value for herself and others through proposing new products/services. R2 ended up opening another business after losing the job that she had maintained in parallel with her first business that went under. She did so because she perceived that she was on the verge of not having enough income to maintain a comfortable life style for her family as her husband's earnings alone did not meet this end. Analysis of this sample demonstrates that, after having set up a first company, whether to live off the earnings thereby returned or as a secondary source of income, people display great enthusiasm but the majority do not have the slightest idea about the project they are embarking on.

> "*At the beginning, there was a lot of euphoria. A lot of adrenalin that made sure we got the thing running*. (R2)

> "*It never entered into my head that things might go badly*." (R4)

> "*At the beginning, there's always a lot of enthusiasm.*" (R1)

This situation stems from a lack of education in general and in management in particular in addition to the lack of entrepreneurial experience. Consequently, there was no real perception of the risks they were taking on. Thus, entrepreneurs R2 and R6, who had university education in management, did appreciate the risks involved:

> "*When we opened, we held a meeting with a lawyer to see all the forms of the relationship. And yes, people know there is always a risk. I was averse to risk. On entering, my share was 20% and I thought that the risk exposure was controlled. I thought, I'll go that far, beyond that, I'm not going*." (R2)

> "*I'm not adverse to risk. It was something that I wanted to take on. It was only about taking 2, 3 4 years to build up some reserve funding and then to advance with the business. In fact, the risk existed but if things went badly then the loss would not be very much. Therefore, I didn't waste much time thinking about the risk. There wasn't much investment involved and so if it went under, I wouldn't be all that badly off.* (R6)

However, this was not the case for other entrepreneurs:

> "*I'm not very adventurous. I don't like to risk too much. But we always have to risk a bit. It's like the saying goes, nothing ventured, nothing gained*." (R7)

> "*And here we risked a bit. But we were both very enthusiastic about the idea*." (R8)

A lack of knowledge about taxation and the legislation in general contributed to a somewhat romanticised view of the entrepreneurial life. In some cases, there were also low levels of knowledge about the sector they were investing in and about its respective functioning. For this reason, the businesses failed with a certain frequency and leaving the entrepreneurs highly frightened, without understanding what happened and, very often, with their lives in ruins and understanding how reality had fallen far short of their expectations when launching the business. Many had no knowledge of either management or finance nor did they even know very much about their respective target sector as they had only learned about the technical facet of the business. Furthermore, they ended up launching micro-companies that they confused with themselves, not subject to management and, when facing crises, were unable to respond and the company went under with serious debts, frequently to the state and only afterwards perceived as extremely problematic.

To achieve success in uncertain environments, entrepreneurs should interpret the signs efficiently and be willing to revise their expectations of success and unprofitable actions (Amore et al., 2021).

4.6. Discussion

The objective of this study is to answer some of the questions raised in the literature, especially as regards the learning of entrepreneurs before, during and after EF, that we can summarize as: how do emotions impact learning and are reflected in post-failure behaviours? This study enables the conclusion that there are three different periods of learning in entrepreneurship. Figure 4.2 presents the model that describes entrepreneur learning over time. We conclude that there are clearly three different learning periods in entrepreneurship as far as micro-enterprises

are concerned. Figure 3 presents the model that describes the entrepreneur's learning over time. The first learning period corresponds to the phase in which the company is healthy. Entrepreneurs have a clear perception that they have learned a lot during this period. This learning focuses on the business (Shepherd, 2003) and on the market and also on people. They increase their knowledge about management and finance and how to deal with people who are all different from each other, as well as how to manage the various relationships essential to the business. This learning is based on experience (Morris et al., 2012) and on the needs that arise in everyday life. They also learn about themselves (Cope, 2005). However, the knowledge they acquire about them is not very conscious because they don't think about it, it occurs naturally.

The second period of learning takes place during EF. The learning in this phase depends greatly on the entrepreneur, the respective EF and the consequences. This represents an extremely difficult phase in these people' lives, experienced in different ways and with different levels of intensity depending on the person and the specific circumstances surrounding the EF (Jenkins et al., 2014).

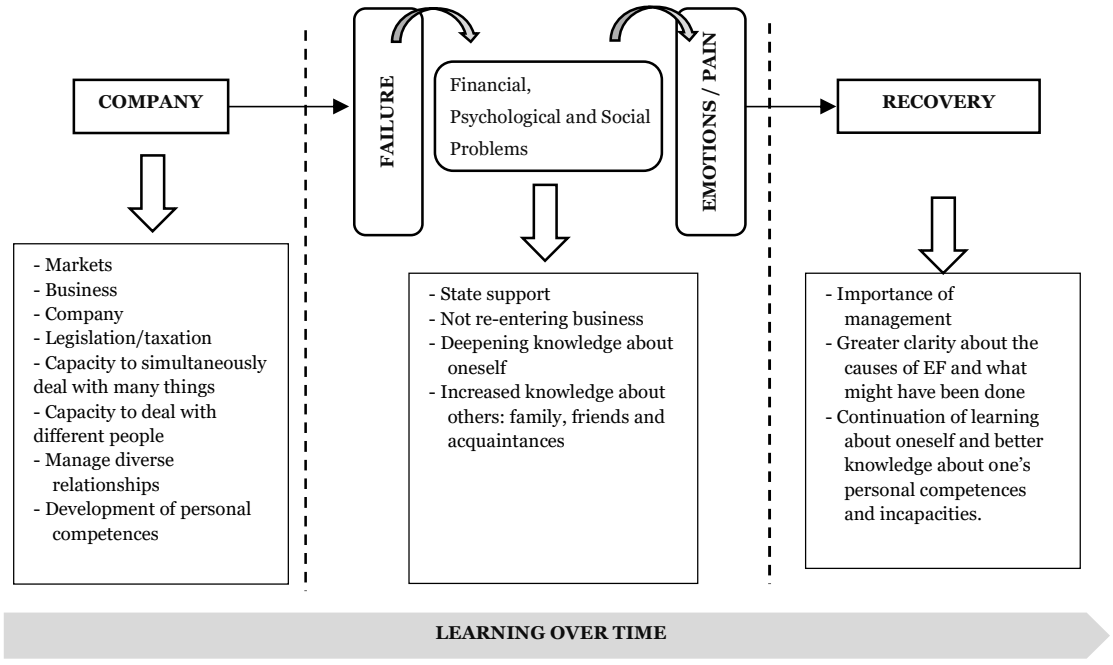


Figure 4.2. Learning Model

The gravity of the consequences strongly conditions the reactions to the failure and the capacity for learning. Hence, when the financial fallout from failure is very high and has a very negative effect on the lives of people, their capacity to learn in this phase is practically non-existent (Isen & Baron, 1991). When the financial consequences are not so serious and lives not so strongly shaken because of the existence of emotional and financial support, then there may be some learning. However, as this is always a constantly painful period, psychologically highly

traumatic, which causes a great deal of suffering, lots of doubts, lower self-esteem and thereby hindering objectivity due to the great difficulties caused by this process (Shepherd, 2003) , the learning is always limited. Furthermore, the accumulation of all the lived experiences and the ways each are able to recover and reconstruct then reflects in the learning that takes place in the phase occurring after EF.

In the third learning phase, in the cases of those able to recover totally or partially, they begin to process all of these lived experiences (Minniti & Bygrave, 2001), thinking about themselves, about the company they lost, what went wrong, what they might have done and, eventually, not have done, how they might have reacted at specific times and did not do so and this analysis that they did not undertake because there was no need, happens now and contributes to raising knowledge about oneself, about the business and about others.

4.7. Contributions

4.7.1. Theoretical contributions

This study brought several theoretical contributions. First, this study contributes to knowledge on the initial relationship between EF and learning (He et al., 2017). Second, it was noticed that there is an intense affective relationship between entrepreneurs and their companies and that during their operation a very significant learning takes place, which many of them consider to have profoundly influenced who they are today. Successful business activity depends on continually updating expectations, making learning an essential factor for success (Amore et al., 2021). Faced with failure, the attitude differs according to knowledge and previous training being influenced by family reaction and support. We advance the literature on EF (Boso et al. 2018) by relating the impact that the EF recovery process has on learning ability, concluding it if recovery does not occur, learning is more limited and is related to the attribution of failure. Thirdly, it was found that time is an important factor in recovery, confirming the conclusions reached Jeng and Hung (2019) The recovery time varies greatly from person to person, being influenced by the circumstances surrounding the process, such as finding a job or having the support of family and friends. and not only on the financial aspects, but also on the emotional aspects that, in turn, depend a lot on the financial ones, creating a vicious circle.

4.7.2. Policy and managerial contributions

This study focuses on the knowledge that it brings about the learning of micro-entrepreneurs who suffer an EF and which allowed us to understand that it occurs in three phases: before, during and after failure. Each phase has different characteristics, which depend on several

factors, such as the entrepreneur himself, his personal and socio-economic, cultural characteristics, the causes of failure, and his family circle and friendships. The effects on the entrepreneur's health, physical and mental/psychological can be dramatic. Therefore, this work brings contributions to public policies. This knowledge is important for rethinking policies to support micro-enterprises and entrepreneurs, as the costs of failure are high (Duarte, 2022), not only for the individual, but also for society, either through the destruction of jobs. or in terms of the costs that fall on the health system. We conclude that training and knowledge helps to reduce the frequency and severity of the consequences of failure in micro-enterprises and in recovery after failure. Thus, it is important, on the other hand, that higher education is defined taking into account the probability of failure and offers tools that help the entrepreneur to avoid it and, when this is impossible, to deal with it in the best way, avoiding the consequences. more dramatic. And, on the other hand, training is made available to micro-entrepreneurs that make them aware of the need to increase their skills so that they can better understand their company and its surroundings and also understand that failure can happen, in order to increase their resilience and improve their assessment and decision-making capacity, which reduces the criticality of the event. Finally, the creation of specific support for micro-enterprises to help identify problems that lead to an EF in order to avoid it whenever possible.

From a practical point of view, this study allows to better understand how and when micro-entrepreneurs learn. That can help them better use the knowledge they acquire throughout the entrepreneurial process. In this way it can contribute to reducing the probability of another failure in future, which is important due to the high financial and emotional cost. On the other hand, the EF allows the entrepreneur to know itself better so they could avoid a new EF or cope better with it, improving the way they recover.

4.8. Limitations and future research lines

One limitation of this current study stems from focusing only on companies from northern and central Portugal. Studies covering companies from across the country would be relevant as would extending the scope to other countries on different continents and in countries with different levels of development and culture. Another limitation arises from the limited number of entrepreneurs who went onto found new companies. Hence, it would be interesting to specifically analyse entrepreneurs who launch new businesses following an initial failure to better understand if and how they applied the knowledge acquired and whether this improved the new company's and the entrepreneur's performance. While having studied here entrepreneurs with diverse levels of education, it would be important to deepen the study of the impact of education, whether or not university level, on the performance of entrepreneurs in order to develop training policies specific for entrepreneurs that thereby reduce the likelihood of small scale business failures. This study also lacks the measuring of the economic weighting of

the failure of micro-companies, especially in terms of health but also in other areas given the existence of concrete amounts that may help those in power to understand better the consequences that the failures of micro-companies represent to countries and leverage the design of the support mechanisms necessary.

4.9. Conclusions

This study has revealed that learning takes place throughout the life of a company. We consider that there are three phases of learning that occur before, during, and after the EF. While the first learning phase essentially approaches the business and directly related aspects (technical, human, management, financial, etcetera) in the second, the learning overlaps primarily with oneself and with others, leaving entrepreneurs with more real knowledge about themselves and how they react in difficult times and under pressure and, furthermore, understanding who in fact their friends and family are as they saw who remained with them and did not abandon them. This knowledge, arising in the second phase, represents one of the factors that deepens the pain as people were not expecting certain reactions from those they considered friends and in whom they trusted. This knowledge holds consequences, especially in terms of restarting in business in the future. There is a rise in the lack of trust in others and in the state and this frequently rules out launching any new company. In the third phase, the learning continues to focus on the person in terms of who they are, who they were, what they did, what they might have done, etcetera. This may also extend to a heightened awareness of the importance of management, or the lack of such practices, played in the failure, which was formerly devalued by some of these entrepreneurs to a greater or lesser extent.

Walsh and Cunningham (2016) state the need for greater research focusing on individuals experiencing failure in various organisational and geographic contexts, with the corresponding need better to explore their affective, cognitive and behavioural responses when confronted by business failure. This study approached Portuguese micro-companies, otherwise subject to very little research and, with culture conditioning behaviour, there is the need to study EF related learning in various countries (Jeng & Hung, 2019). According to that proposed by Boso et al. (2018), this studied the impact of the EF recovery process on the learning capacity and concludes that when recovery does not occur, the learning remains very limited while also verifying how this learning interrelates with the attribution of failures. The entrepreneurs studied had experienced EF over different timeframes, enabling analysis of the emotional response to EF in accordance with the time since the failure (Jeng & Hung, 2019). Our findings verify that time helps in recovery and this process does impact on learning. This also conveys how the time needed for recovery varies greatly among individuals and shaped by the circumstances surrounding the process, such as finding employment or receiving support from

family and friends. Furthermore, this extends beyond the financial factors that interfere with the recovery process and includes emotional dimensions.

CHAPTER 5.- Entrepreneurial failure and fear

5.1. Introduction

Entrepreneurship represents a process through which individuals recognise and exploit business opportunities by launching new companies (Shane & Venkataraman, 2000). The decision to set up a company, whatever its respective type, is important in itself and frequently drives changes in the lives of those taking such steps. The changes fundamentally derive from the perception of gains and losses because the returns on entrepreneurship may be substantial compared to more secure forms of employment, but sacrifices are necessary and the likelihood of losses looms large (Morgan & Sisak, 2016). Indeed, entrepreneurial activities inevitably incur the acceptance of uncertainties and risk (Ucbasaran et al., 2013) with the scope for failure (Carroll, 2017). Particularly important is the ever present reality of financial and psychological/emotional costs, not only to the respective entrepreneurs but also to their families, creditors and other stakeholders and even to broader society (Eklund et al., 2018).

Only at the beginning of this century researchers turn their attention to the emotions (Welpe et al., 2012) related to entrepreneurship (Baron, 2008; Cardon et al., 2012). Positive emotions lead entrepreneurs to focus on the positive aspects of their companies and their businesses, while negative emotions drive attention to their shortcomings and correspondingly influence the processing of information (Foo, 2011).

Losing a business may cause devastating consequences to entrepreneurs, triggering suffering that equates to the loss of a loved one with all the corresponding emotional, psychological, and even physiological problems (Shepherd, 2009a). Therefore, FoF represents a normal feeling. Nevertheless, such fears may impact entrepreneurial actions (Cacciotti & Hayton, 2015; Mitchell & Shepherd, 2010), indicating the importance of a study such as ours. The entrepreneurship literature has traditionally approached FoF as a negative factor, perceiving failure as an obstacle to continuing with entrepreneurial activities (Arenius & Minniti, 2005; Welpe et al., 2012). However, this perspective has since shifted with fear emerging both as a problem and as a positive condition for adoption depending on different contextual circumstances (Cacciotti & Hayton, 2015; Mitchell & Shepherd, 2011; Morgan & Sisak, 2016). Thus, there are two generic opinions on EF: the negative, which sees failure as an obstacle to the continuation of business activities; and the positive, which perceives failure as an important learning opportunity and acts as a catalyst for greater economic and business development (Cardon et al., 2011).

Entrepreneurs who go through business failure face two options: a successful re-entrance that may assist with restoring their reputation, self-esteem, and pride, enabling their intentions to re-engage in business; or, in contrast, perceiving the risk of reoccurring failure, which will only increase the stigma of failure, their loss of reputation and their sharply negative emotions, bringing about an intense fear of failure (Hwang & Choi, 2021). We still do not understand how entrepreneurs feel fear during their companies' lives and the effects of this feeling on their decisions. Therefore, we ask: when and why do micro entrepreneurs feel fear and what is its impact on post-failure decisions?

Understanding the role of fear is important to entrepreneurship and the re-entrance of entrepreneurs following business failure. The conservation of resources theory states that individuals strive to obtain, retain, promote, and protect what they value (Hobfoll et al., 2018). According to this perspective, people become stressed whenever there is (i) the threat of critical loss, or (ii) the loss of critical resources, or (iii) a failure to obtain these critical resources following significant efforts. There is currently a lack of understanding as to how entrepreneurs, and their families, who experience EF owing to such losses, react to the fear caused by EF (Yu et al., 2020). In contrast, whenever an individual feels that they control a situation, they are better able to reflect on their negative emotions and change their framework of references and values, which contributes to their preparation for new activities, such as re-entrance following EF. Williams et al., (2019) propose that future research explores how to nurture this sensation of control which might facilitate a post-EF return to business, by analysing factors such as how a country or community shapes the sense of control held by a person in terms of making post-failure changes. According to Tipu (2020), there is a clear need to improve our understanding as regards a post-EF re-entrance—an aspect hitherto broadly overlooked by the literature.

To offset these shortcomings, we analysed the dynamics of fear entrepreneurs feel when their companies are operating successfully, when failure looms, and after a failure, to analyse how fear reflects on whether to re-start with another business. The study also focused on the influence of families on this fear and in the decision for re-entrance. To this end, we used a multiple case study, interviewing 14 entrepreneurs with micro-companies in various sectors of activity who had experienced EF, their respective families, and a solicitor who supervised some of these cases in a South European country.

Our results allowed us to advance three theoretical implications. First, our research findings offer theoretical insights into the role of fear and its impact on the entrepreneurial process, from the inception of the venture to its closure and any subsequent re-entry attempts by the entrepreneur. Unlike previous studies that focused on fear in university student samples (Kollmann et al., 2017; Ng & Jenkins, 2018), our study examined the experiences of entrepreneurs and their families in situ, during the life cycle of their businesses. This helped us to identify new findings that differ from prior literature, such as the strong fear experienced by

the entrepreneur's family during the failure and post-failure phases. This aspect has not been previously explored in the literature, and it highlights the importance of considering family issues in the study of fear associated with entrepreneurship. Second, this research advances the FoF literature, namely the work from Cacciotti et al. (2016), by creating a holistic picture of fear in entrepreneurship that unlocks the blackbox surrounding the effect of fear on micro entrepreneurs during the whole entrepreneurial process and thus enhances the understanding of how they cope with fear in each stage. Third, we contribute to the deepening of knowledge about fear in entrepreneurship by bringing family issues to the table, which have not yet been studied to the best of our knowledge.

This research produced practical insights by pinpointing the factors that heightened fear levels for entrepreneurs and their families, and how these factors influenced their choices regarding re-entering the entrepreneurial arena. This information can inform managerial decision-making in the entrepreneurial context.

From a political standpoint, our study highlights the importance of a business system that supports entrepreneurial activity. For example, we demonstrate that a high tax burden and a lack of a legal system that can help entrepreneurs resolve problems create a climate of fear, fear of being unable to pay, and fear of failure. The lack of specific institutional support for micro-entrepreneurs and payment policies are among the core practical aspects that require improvement and tailoring to reality to facilitate entry and re-entry into entrepreneurship.

5.2. Theoretical background

5.2.1. Fear and fear of failure

According to research, fear appraisals are commonly linked with feelings of unpleasantness, uncertainty, and a sense of low control over situations (Lerner & Keltner, 2000). Fear may arise when individuals make primary appraisals that a situation poses a threat to their goals or wellbeing and secondary appraisals that the outcome is likely to be uncertain and beyond their control or coping ability (Kish-Gephart et al., 2009) and causes alterations in the workings of both the brain and the organs. There are different forms to cope with fear: approach the threat in an aggressive stance (fight), avoid the threat (flight) or experience paralysis in the face of the threat (freeze) (Gray, 1971; Lazarus, 1991). Studies also suggest that individuals tend to experience less fear when facing a threatening situation that they perceive as controllable, as they prefer predictability and a sense of control (Grandey, 2008). Conversely, in the absence of certainty and control, people tend to make pessimistic judgments and avoid risky decisions (Lerner & Keltner, 2001; 2000).

Entrepreneurship involves a high degree of risk and uncertainty, making failure a common and expected outcome (Holienka et al., 2022), so it is expected that FoF would be a barrier to entrepreneurial activities, especially re-entering business after a failure. It's why we want to confirm the following proposition:

P1. *After a EF, entrepreneurs are afraid to reenter in a new business.*

FoF does not only occur at the time of decision-making over launching a business. The feeling spans the entire life cycles of companies whenever, due to environments displaying constant uncertainties and ambiguities, it becomes difficult to evaluate what skills and competences are necessary to achieve success (Cacciotti et al., 2020) and to deal with obstacles, demands, relatively undefined responsibilities, different tasks and decisions that hold implications for entrepreneurs and their respective stakeholders (Cacciotti & Hayton, 2015). FoF can induce emotionally negative reactions, which do not necessarily imply that this fear does not have, in addition to its negative dimension, a positive one (Cacciotti et al., 2020). A positive aspect of the FoF could be its function as a source of motivation, driving the entrepreneur to persist and achieve their objectives despite challenges and adversity (Cacciotti & Hayton, 2015). On the other hand, negative aspects of the fear of failure may include increased vulnerability, heightened anxiety, and reduced resilience and leadership capacity, thus making success more difficult and uncertain (Martin & Marsh, 2003). From this emerges the following proposition:

P2a: *The fear that entrepreneurs feel is positive while the business is running smoothly.*

P2b: *The fear that entrepreneurs feel negative during and after the failure occurs.*

For some authors, FoF is a stable characteristic of individuals (Arenius & Minniti, 2005), while for others, it is an emotional state resulting from the perception of environmental threats (Patzelt & Shepherd, 2011; Welpe et al., 2012). The former suggests that individuals have a predisposition to fear and, therefore, strive to avoid failure, whereas the latter suggests that fear is an emotional response that arises from evaluating certain events (Cacciotti & Hayton, 2015). Some studies (Martin & Marsh, 2003) conclude that there are three attitudes towards fear: i) success-oriented, where personalities are optimistic and proactive, task-focused and respond to setbacks with optimism and energy; ii) failure-avoidant, corresponding to anxious individuals who doubt their own abilities, work hard and achieve their goals but react negatively to obstacles, considering them as confirmation of their incompetence; and iii) give-up, corresponding to individuals who do not feel engaged and are demotivated, without even trying to avoid failure.

FoF represents a multidimensional construct that extends not only to the fear of losing one's company and means of subsistence but also to other fears, such as the inability to obtain

financing, the judgements of third parties (Cacciotti et al., 2016) or stigma (Shepherd, Haynie, 2011), for example.

FoF may be related to the fear of the unknown, as well as the potential for social rejection and their own failure as entrepreneurs (Cacciotti et al., 2020) so when entrepreneurs face high risks, the FoF increases (Mitchell & Shepherd, 2011). Institutional culture influences fear (Wyrwich et al., 2016).

Grasping the FoF is essential to fully understand the dynamics underlying entrepreneurial processes (Kollmann et al., 2017) because it shapes the ways in which entrepreneurs perceive opportunities. Hence, those with greater fear of failure tend to preserve their resources when the opportunities return low levels of value rather than run the risk of failure in striving for that opportunity. Variations in the intensity of the fear may explain why some entrepreneurs explore more opportunities than others, which may relate to the image of vulnerability associated with fear (Mitchell & Shepherd, 2010). These authors also report that entrepreneurs with higher levels of FoF may encounter greater difficulties distinguishing between environments of potential benefit to the organisation (boosting the stock of knowledge, for example) and environments that do not return such gains.

From the economic point of view, perceptions related to the taking of risks and dealing with uncertainties negatively impact on entrepreneurial decision-making due to the FoF that emerges and frequently leads to the individual entering the regular labour market (Cacciotti et al., 2016) Furthermore, from the psychology perspective, social norms hold significant relevance in relation to EF, which is frequently perceived as a source of shame (Simmons et al., 2014). EF represents a psychologically painful and financially costly experiences that negatively affect the confidence of individuals, undermining their self-esteem and their relationships with other entrepreneurs (Cope, 2011), leading to fear.

5.2.2. The recovery

Following an EF, entrepreneurs must recover from the loss and pain suffered to return to normality. According to Shepherd (2003), recovery means that thinking about the failure and interconnected events no longer trigger any emotional reaction. Cope (2011) draws attention to the importance of social and relational recovery beyond the personal. It, therefore, makes sense to verify the following proposition:

P3: *The characteristics of the entrepreneur and the financial consequences of failure condition the recovery after a failure.*

Various authors consider that entrepreneurs who go through EF need, in a first stage, to establish some distance from the failure to be able to begin the recovery process later (Amankwah-Amoah et al., 2018; Cope, 2011; Singh et al., 2007). This process occurs in various phases that differ from author to author (Amankwah-Amoah et al., 2018; Cope, 2011). Recovery implies the person can deal with the problem from which they are recovering. To deal with failure, individuals may adopt orientations towards the loss, ranging from confronting the pain of loss, thinking, and talking about it to breaking off the existing emotional connections. Alternatively, they may adopt an orientation towards recovery in which the individual avoids thinking about the loss, which results in continued mourning.

Shepherd (2003) describes how fluctuating between the two is the best stance, enabling individuals to draw on the benefits of each while simultaneously minimising the costs of maintaining either one for excessively long periods of time. Another way of dealing with the failure of a business involves starting by sorting out the financial problems then afterwards focusing on emotional recovery with the support of friends and family (Singh et al., 2007). Mantere et al. (2013) studied the ways in which entrepreneurs explain the failures they experienced and the feelings they attribute to that experience. They report that the ways in which individuals attribute meaning to failures derive from their cognitive and emotional need to maintain their self-esteem and recover from losing their business. However, there are also entrepreneurs who do not experience high levels of suffering in keeping with their own high resilience and preparations for failure, whether emotionally or financially (Shepherd et al., 2009), and for whom recovery processes hold no great relevance.

5.2.3. The re-entry

It is important to understand what leads entrepreneurs to reenter in a new business, after having undergone EF, the contexts in which this happens and the consequences of this re-entrance (Tipu, 2020).

Aspects such as experience, career, age, gender (Baù et al., 2016), resilience, stigmatisation, attribution, and learning, in addition to the level of mindfulness (Tipu, 2020), may all shape the likelihood of reentrance following EF. Who have experienced the loss of their business register a lower likelihood of starting a new business than those who were previously successful (Amaral et al., 2011). Furthermore, confidence, reflected in greater emotional, cognitive, social, and financial stability, enables faster and easier recovery processes, which may contribute to the probability of re-entrance (Hayward et al., 2010), as does the educational level (KoÇak et al., 2010).

Then it makes sense to verify the proposition:

P4. *The personal characteristics of the entrepreneur condition re-entry.*

Starting a business is a riskier choice than having a job where you receive a salary, as there is a greater uncertainty regarding potential financial gains in the future. The results of entrepreneurial pursuits are unpredictable and cannot be accurately predicted or foreseen (Hsu et al., 2015). A prior failure does not boost the tendency for entrepreneurs to change their management strategies even though they may change the sector when opening a new business (Eggers & Song, 2015).

Simmons et al. (2014) showed that in countries with high levels of stigma (based on data collected from 23 countries), entrepreneurs who experienced business failure were less likely to re-enter new entrepreneurial activities. However, Singh et al. (2015) argue that despite its negative dimension, stigma can potentially function as a stimulus for entrepreneurs to redeem themselves from their business failure by starting a new venture, thus transforming their negative experience into a positive one. Contrary to expectations, negative emotions are not necessarily obstacles to re-entry (Williams et al., 2019).

The attributions of EF provide relevant input to re-entrance, with the theory of attribution fairly commonly applied to explain this phenomenon (Jenkins, 2022). According to Yamakawa and Cardon (2015), when the attribution of EF is linked to internal causes, re-entrance with good results is the most probable outcome, contrary to the conclusion of Sserwanga and Rooks (2014). This suggests the respective context may shape outcomes because Yamakawa and Cardon carried out their study in Japan while Sserwanga and Rooks studied entrepreneurs in Uganda.

The emotional impacts of EF are intense and closely related to the social costs (Cope, 2011), the pain, and the guilt (Shepherd, 2009b). These emotions interfere with how entrepreneurs analyse problems, the attitudes they adopt, and their recovery (Singh et al., 2007) in addition to how they manage fear.

Therefore, it makes sense to verify the following proposition:

P5: *The more severe the consequences of failure, the lower the likelihood of re-entering a new business.*

The influence of the family, both in recovery and in re-entry into new businesses, is still poorly studied (Costa et al., 2023), so it makes sense to verify the following proposition:

P6. *The family influences re-entry*.

5.3. Methods

5.3.1. Research context and research approach

The most common type of company is a micro-enterprise. Micro-enterprises constitute between 70% and 95% of companies and provide, in Portugal, over 50% of employment (OCDE, 2017). Such data justify the present study's focus on the EF of micro-companies about which there is otherwise little knowledge and which is reflected in the low level of support these firms receive.

When launching a micro-company, the entrepreneur risks their entire financial, emotional, and social life (Cope, 2003). Thus, EF constitutes a loss that always provokes complicated negative emotions that must be managed. Fear is one of the emotions inherent to entrepreneurship and it deepens as failure looms and subsequently, with important consequences that justify the in-depth study of the fears of entrepreneurs and their various impacts.

From the perspective of entrepreneurs and their families, we wanted to explore fear, fear of failure, the recovery from loss, and re-entrance in the wake of EF. We sought to grasp how entrepreneurs feel about fear before, during and after the EF of their micro-companies to enable their re-entrance. The question that we intended to answer is: when and why do micro entrepreneurs feel fear and what is its impact on post-failure decisions?

5.3.2. Research design and data collection

The case study is an empirical method that enables the in-depth study of a contemporary phenomenon in a real context where the boundaries between the phenomenon and the context are not totally clear (Yin, 2018). Given that the objective of this study was to understand if and how entrepreneurs experienced FoF, which aspects impacted on this emotion, and how they recovered from their losses, adopting a qualitative methodology was the most appropriate choice. It allowed us to capture the real experience of FoF across entrepreneurs with differing backgrounds and experiences (Cacciotti et al., 2016). This was important because we wanted to examine FoF as it was experienced and lived by the entrepreneurs and their families.

Thus, we carried out a multiple case study (Byrne & Shepherd, 2013), involving 14 entrepreneurs, who were the owners of Portuguese micro-companies that failed for different reasons and in different ways. Some went bankrupt, others were sold, and others simply shut their doors. The case study selection was neither random nor based on representativeness but rather on the uniqueness of these cases and their relevance for the research objectives (Crowe et

al., 2011). They covered different sectors of activity, different types of failure, and different types of entrepreneurs (Eisenhardt, 1989). This variety was essential for understanding the subject under analysis. All had fewer than ten staff members and were set up by the entrepreneurs. The micro-companies under analysis spanned various sectors: restaurants, textile and food industries, commerce, and services.

Cases were studied through separate interviews with the entrepreneurs, their families, and a solicitor to triangulate the data (Jick, 1979), ensuring the consistency and robustness of the investigation (Eisenhardt, 1989) and complementing the study with information that the interviewees were unable to provide. Therefore, our study of this phenomenon was deepened by examining the effects of EF on other people, besides the entrepreneurs themselves, who also closely experienced the consequences of EF. All interviews and conversations were conducted in Portuguese between May and July 2022.

We carried out semi-structured and structured interviews. The semi-structured interviews took place with the entrepreneurs who had the greatest ease in explaining their situation. In those cases, where there were difficulties in discussing the lived experience, the interviews adopted a structured format, questioning the entrepreneurs objectively to obtain responses that would not otherwise be forthcoming. The structured interviews began with a characterisation of the entrepreneurial owner and the company, always allowing the interviewees to speak at ease about any of the themes they wanted to. The objective was to gather all the information that these entrepreneurs were able to provide. We then gathered information about the psychological characteristics of the entrepreneurs before finally approaching the facets relating to the fear and fear of failure that they felt and how this fear influenced and shaped them.

The interviews took place either in-person or via zoom in accordance with the availability of participants. The interviews lasted between 40 and 50 minutes. We also talked to some of the family members of those interviewed to understand whether the analysis provided by the entrepreneur coincided with their families' opinions. This further sought to capture the effects of fear on these households and its influence on the decisions of the entrepreneurs. We recorded some of the interviews following the informed consent of participants. Some entrepreneurs felt uncomfortable about such recordings and preferred to be accompanied by the solicitor they already knew and trusted. In these cases, we took written notes during the interviews while recording a personal interview with the solicitor. We did not record the conversations with the family members because the objective was to talk freely and at ease about all the experiences that culminated in the EF. We took notes that we then analysed and appended to the interviews with the respective entrepreneur.

5.4. Results

Finding entrepreneurs who have experienced EF and are willing to talk to third parties about this subject is difficult (van Gelder, 2007). We were able to bring together a sample of 14 entrepreneurs with very different characteristics, different levels of education, different types of entrepreneurship and failure, as well as different ages and genders. The sample thus features persons with different backgrounds, experiences of life, different ways of feeling and very different attitudes towards their former companies and experiences of failure, which enriched the conclusions.

Table 5.1 details the characteristics of the interviewees (eight were men and six were women). The average age when closing the business was 45.8 years, varying between 38 and 60. The levels of education varied between primary school and university qualifications. Following EF, only two entrepreneurs went on to open new companies. Those who were employed, retained their positions and those who were already retired did not do anything else professionally after the EF. The remainder sought employment in Portugal or internationally.

There were two types of entrepreneurs: those who depended solely on their company's income to support their families (D, I, J, K and L) and those who had another source of income and whose spouse also contributed to the domestic economy (A, B, C, E, F, G, H, M and N). The first group was, generically, made up of people with a lower socioeconomic and cultural level and with a lower level of training and knowledge and, therefore, with less ability to analyse reality and foresee possible problems.

Entrepreneur	Gender	Age at closing	Education	What they did afterwards	Other income
A	Female	60	11th grade	Nothing	Yes
B	Female	38	University	Get a job	Yes
C	Male	59	11th grade	Retired	Yes
D	Male	44	Atten. University	Emigrated	No
E	Female	38	University	Another business	Yes
F	Male	36	University	Employed	Yes
G	Female	50	10th grade	Looked for another job	Yes
H	Female	51	12th grade	Produced at home	Yes
I	Male	46	9th grade	Passed away	No
J	Male	45	9th grade	Emigrated	No
K	Male	40	9th grade	Emigrated	No
L	Male	41	9th grade	Emigrated	No
M	Female	47	11th grade	Looked for another job	Yes
N	Male	47	8th grade	Looked for another job	Yes

Table 5.1 Entrepreneurs' characteristics

The companies were all located in the north and centre of Portugal and belonged to a range of sectors. Consequently, EF took place according to three situations: i) the businesses closed (seven cases); ii) the business was sold (two cases); and iii) the business entered into insolvency processes (seven cases), as detailed in Table 5.2. Some companies were partnerships, while a single owner ran the others. The legal status was that of a limited company or an individual establishment with limited liability. The companies were in business for between 3 and 36 years with EF causing some to close, others entering insolvency, and others being sold as going concerns.

Company (Entrepreneur)	Sector	Age when closing	Turnover /month (€)	Means of closure
C (A)	Commerce	5	65000	Closed
C (B)	Restaurant	3	40000	Sold
C (C)	Commerce	36	70000	Sold
C (D)	Textile	15	?	Insolvency
C (E)	Cryopreservation	11	?	Insolvency
C (F)	Restaurant	6	10500	Closed
C (G)	Commerce	25	?	Closed
C (H)	Artisan chocolate	15	9000	Closed
C (I)	Restaurant	10	?	Insolvency
C (J)	Electricity	12	15000	Insolvency
C (K)	Carpentry	10	12500	Insolvency
C (L)	Metal-working	13	30000	Insolvency
C (M)	Hairdresser	14	7500	Closed
C (N)	Restaurant	19	12000	Closed

Table 5.2 Companies characteristics

5.5. Data analysis

Fear was present throughout the entrepreneurial process. At the beginning of these ventures, enthusiasm overwhelmed fear, but fear significantly impacted all the other phases (Figure 5.1). Appendix 5A presents a comprehensive collection of significant quotations from the interviews, providing empirical support for interpreting the identified themes in a coherent and consolidated fashion.

Hence, following initial enthusiasm, there was a latent fear that accompanied the company's life and, in general terms, resulted in positive consequences because it drove and stimulated the identification and resolution of problems. When failures occurred, fear levels rose, and the negative consequences could be disastrous, paralysing entrepreneurs who lost the ability to

think and decide. Every respondent stated that the feeling at the time of launching their companies was of great enthusiasm, even among those who were most averse to risk. As A stated, "*At the beginning, I was very optimistic*", and E

> *At the beginning, we were full of enthusiasm. We always thought everything would go well. We made market studies, we thought about everything and we concluded that the project was viable.*

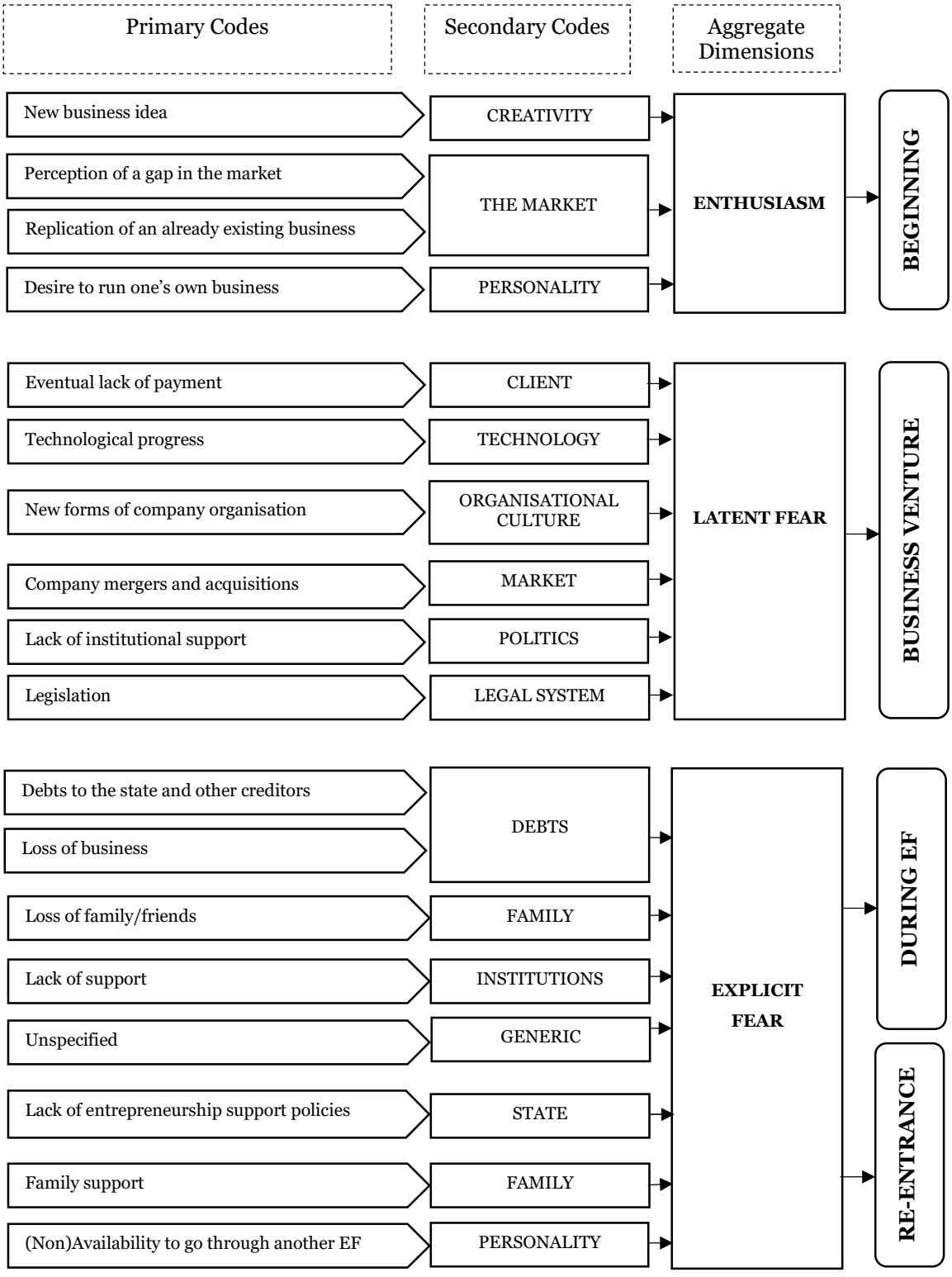


Figure 5.1 Data structure

and F:

> *The enthusiasm at the beginning is always great. Various people, including those close to my circle were always raising problems but I had the thing so well studied, so well worked that I closed my eyes and threw myself in headfirst.*

and M:

> *When I opened, no. At the beginning, we were full of enthusiasm and did not even think it might go wrong.*

Throughout the entire period of company operations, almost all interviewees acknowledged the existence of a latent fear underlying everything they did. This broad fear extended to those aspects that each felt might endanger their companies. In some entrepreneurs, this was more prominent but less so in others. C declared:

> *There was always that fear that something would go wrong but I knew I had the capacity to turn it around. I even think it's this fear that makes us advance. That leads us to do things, that is always thinking, resolving and anticipating the problems to resolve them before they arrive. We may say this is a healthy fear.*

and J:

> *During the activity, there is always fear. After that initial phase, when we get into the daily affairs of a business in which we have employees who depend on us and who we also depend on in the business, we have fear.*

and G:

> *(…) after opening, we always have that fear that things will go badly and it's this that pushes us onwards and thinking of what we have to do to make things happen, isn't it? However, it's not a fear that blocks us from doing things or makes us feel bad.*

This attitude changed when entrepreneurs began to perceive failure looming on the horizon and the business began to indicate that the problems would be difficult to resolve. Then, fear took hold and could have a brutal impact. Fear drove mental confusion that hindered analytical thinking, creating a series of doubts that could not be answered in most cases. Furthermore, this situation worsened in keeping with the seriousness of the consequences of the foreseeable failure. The duration span of this phase varied greatly depending on the financial outcomes caused by EF, family support, the level of knowledge, and the rationality that entrepreneurs held.

As E explains:

> *Fear… that's the fear you get when you have a debt of XXX size, when you're already paying a mortgage, and private school for the kids (…)*

and A:

> *Fear when something begins going badly. Thinking we may not have enough money to pay the staff and to the state, results in very deep fear.*

and L:

> *(…) I was very scared. It was seeing our life disappear. A person is left terrorised.*

5.6. Discussion

5.6.1. Enthusiasm at the start of venture

At the time launching of their businesses, entrepreneurs always experienced great enthusiasm. Some perceived that they had discovered an unfulfilled need, such as E, who grasped that cryopreservation was at an early stage, and in Italy, there were no private cell banks, and the public facilities were facing problems. E thus advanced with setting up the first company and, when opening a second venture, was convinced as to the potential for success because there were then no professional organisers in Portugal, as the interviewee explained:

> *I went to do training in the US and it was a week of immense learning, it was spectacular. After, when I arrived in Portugal, I thought I would conquer the world, that I would be the first professional organizer in Portugal, and there was a lot of optimism, a notion that I would be able to do this and that idea, if you give me this opportunity, I'll be able to deal well with people and help organise the lives of people (…)*

F opened an artisan beer bar in a neighbourhood where there was no competition and, hence, with the new idea, the respondent was convinced of the potential for success and was, therefore, correspondingly enthusiastic.

Entrepreneurs with lower levels of education opened businesses identical to those they previously worked at because those companies had clients and were successful. The micro entrepreneurs thought that by opening their own companies, they would be guaranteed success because they knew the work, the clients, and the suppliers. In addition, owning their own company was another source of enthusiasm.

Others also launched their companies because, after producing their business plans, they concluded that there was space in the market despite other existing businesses, such as restaurants. However, in these cases, opening their own business, in which they would define the rules, was attractive and generated enthusiasm.

5.6.2. Fear during the entrepreneurial venture

With the company up and running, fear appeared alongside the problems and the respective need to resolve them. However, this latent fear was present but had no negative consequences and potentially served as a motivating factor to get on with solutions to emerging problems. Hence, this may have even driven positive outcomes, as various interviewees reported:

> *There was always that fear that something would go wrong but I knew I had the capacity to turn it around. I even think it's this fear that makes us advance. That leads us to do things, that is always thinking, resolving and anticipating the problems to resolve them before they arrive. We may say this is healthy fear. (C)*

> *During the activity, there is always fear. After that initial phase, when we get into the daily affairs of a business in which we have employees who depend on us and who we also depend on in the business. Fear of not being able to make it to a safe harbour. Fear that something will happen and it did happen! (J)*

> *(…) but afterwards, you always end up having some fear that something is going to go wrong but there's also not much time to think about this, we have the work to do. (L)*

Therefore, our proposition 2a is supported.

5.6.3. Fear during and after entrepreneurial failure

When the likelihood of failure began to loom, the fear deepened and became explicit, influencing the quality of life of entrepreneurs. How individuals dealt with fear differed. In cases in which the consequences of EF were extremely serious, respondents stated that fear limited their capacity to think, hindering decision-making, with serious consequences in terms of mental and physical health. Fear may even have aggravated the consequences of failures due to these effects.

Entrepreneurs for whom EF did not cause overly critical consequences, having avoided debts or having alternative sources of income or financial support from a family member(s) did not clearly reference fear but rather that they would not get involved in another company, which reflected that they both felt and continue to feel fear of going through any similar experience again due to the suffering they experienced.

However, when talking to family members, the responses differed and revealed that these entrepreneurs did experience fear at certain times due to becoming unsure about how they

could best solve the existing problems. This reflected an interesting facet: a certain reluctance among entrepreneurs to accept that they experienced fear. This shows that proposition 2b is supported.

The families themselves also went through fear. While some alleviated the pressure on the entrepreneurs, others did not, worsening the situation due to their lack of capacity to control events in more serious situations. The solicitor, who closely accompanied the processes of some of the respondents, referred to enormous and paralysing fear for both entrepreneurs and their families that, in some cases, led to divorce due to the incapacity to deal with the gravity of the situation.

5.6.4. The re-entry

Any subsequent re-entry was closely interlinked with fear and the capacity, or the incapacity, to pass through a similar experience again potentially, like proposition 1 states. However, even the entrepreneurs who stated that they had not felt much fear mostly opted not to re-enter with another business. This indicated that the experience of failure was sufficiently traumatic for people to avoid reliving the experience by rejecting the option of launching a new business, supporting the proposition 5.

Families held a strong influence, normally negative, over the probability of re-entrance. They suffered greatly from the EF situation experienced and were not keen to relive any similar experience; thus, they were an obstacle to re-entrance, supporting proposition 6. Despite this, two entrepreneurs did re-enter and start new businesses. In one case, this served as the means of reacting and overcoming the pain of loss. However, this entrepreneur did not face any financial issues and thus had greater scope for reaching this decision, coupled with total family support. The other case involved an entrepreneur who opened another company out of need because she had been made unemployed, and her family could not maintain their desired quality of life without a second source of income. Therefore, this interviewee decided to open another company, again with the support of her family and with the understanding that it was more difficult to find a new job when almost 50 years old, an age described as "(…) this is very old to work and very young to retire." (B). That support proposition 4.

Hence, age reflected another influence on the likelihood of re-entrance because when old enough to be eligible, the option was for retirement. Going through EF was tiring, highly taxing, and stripped away much of the energy that the entrepreneurs displayed before going through this experience. This led them to quit and opt for a safe, less stressful solution.

5.6.5. Recovery, fear and pain

Klimas et al. (2020) refer to failures as incurring direct consequences—economic, psychological, and social—and indirect consequences—pain, learning and recovery. (Shepherd, 2003) even compares this pain to losing a loved one. The loss of the company causes pain for a range of different reasons. The fear and pain at the loss of one's company and the consequences of this situation are closely interlinked and mutually enable each other. Pain triggers fear, and fear intensifies the pain, which then reflects in the decision of most of these entrepreneurs not to restart businesses in the future.

The way to recover from pain was very personal and dependent on family support, as well as on personal characteristics. Those with more capacity for analysis and more objectivity were more likely to recover. The key part of the question regarding recovery was the gravity of the financial consequences that the EF provoked. If they were very serious, recovery was extremely difficult. This supports the proposition 3.

Figure 5.2 sets out the explanatory model of the impact of fear throughout the entrepreneurial process. In this multiple case study, we analysed how various micro entrepreneurs reacted throughout their entrepreneurship processes and throughout the failure experienced by their companies. We observed how fear generated a significant impact both during the lifespan of the company and in the ways that entrepreneurs reacted to failure and the decisions they subsequently took.

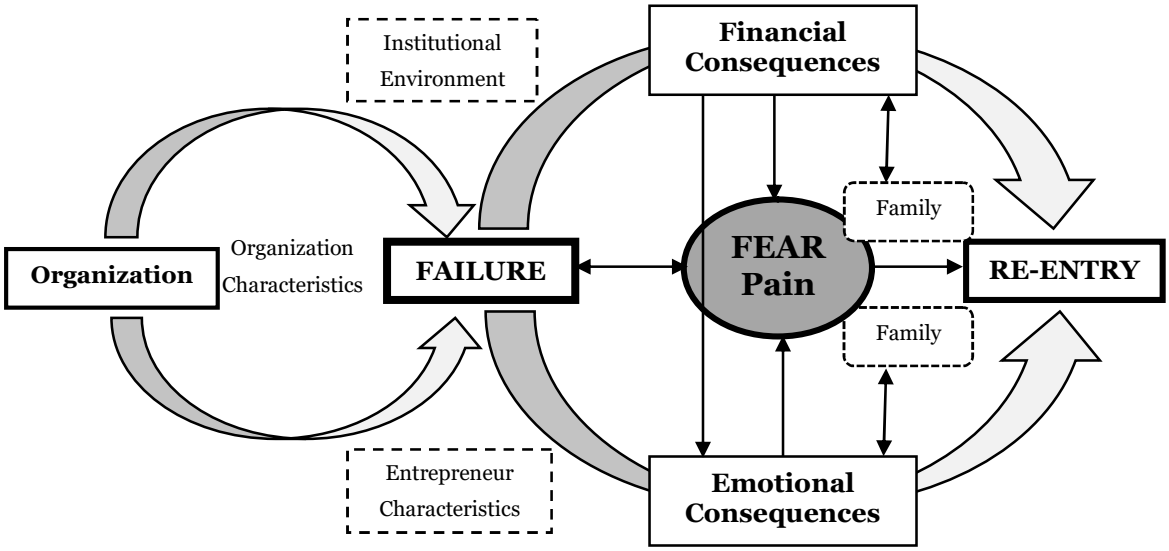


Figure 5.2. Model of the impacts of fear on the entrepreneurial process

These reactions differed more on certain aspects than on others. Throughout the lives of their companies, the fear remained constant for all these entrepreneurs and impacted their decisions. FoF was present at all stages for entrepreneurs and varied in the various phases of their companies' lives, which is consistent with the findings of Daoud et al. (2020). The term for this feeling is latent fear, but its consequences were not negative in many cases, as mentioned by C:

> *There was always that fear that something would go wrong but I knew I had the capacity to turn it around. I even think it's this fear that makes us advance. That leads us to do things, that is always thinking, resolving and anticipating the problems to resolve them before they arrive. We may say this is healthy fear.*

The greater the awareness of the risks and the greater the capacity for analysis of entrepreneurs, the greater the positive impacts of this fear. During business failure, fear heightened substantially and became explicit. Entrepreneurs left with their livelihoods in tatters far more easily assumed both the fears they experienced throughout the process and their influence over the decisions taken afterwards because, says J, "*there is always fear*". One consequence of EF was that entrepreneurs were dealing with realities they had not initially perceived; like S says: "*these small entrepreneurs used the money from VAT and social security to face the difficulties they were having, not knowing the serious problems that this situation entails*". This discovery activated the fear they did not have at the outset of the project and that, in the vast majority of these cases, they did not wish to advance with any new business because the obstacles were now clearly visible (Kollmann et al., 2017).

5.7. Contributions

5.7.1. Theoretical contributions

The study of FoF in entrepreneurship is still little explored by researchers, with only a small number of published studies (Cacciotti et al., 2020; Wyrwich, 2016). We agree with Cacciotti et al. (2020) when they conclude that FoF happens throughout the entrepreneurial process, and it can be inhibitory but also motivating, being a multidimensional construct. Our results hold theoretical implications around fear and its effects throughout the entrepreneurial process, from the outset with the company's launch to its going under and any eventual re-entry by the entrepreneur. First, the sample studied was composed of entrepreneurs who had experienced entrepreneurship, in contrast to other studies that focused on fear in samples of university students (Kollmann et al., 2017; Ng & Jenkins, 2018) because our objective was to understand how entrepreneurs and their families experienced fear *in loco*, during the life of their companies (Cacciotti et al., 2016). This helps to explain how our results are different from past literature. For example, we found that fear was also strongly felt by the entrepreneur's family, but only in the failure and post-failure phases, which advances the past literature by introducing family

issues into the theme of fear associated with entrepreneurship. This facet has not yet been studied.

Second, our results allow us to advance the FoF literature because we found that the causes, expression, intensity, and consequences of fear were different in each phase of the entrepreneurial process. This is important because it provides a deeper understanding of the impact of fear throughout the entrepreneurial process and shows how micro entrepreneurs can be supported, when, and under what circumstances. Therefore, this research advances the FoF literature, namely the work from Cacciotti et al. (2016), by creating an holistic picture of fear in entrepreneurship. It unlocks the blackbox surrounding the effect of fear on micro entrepreneurs during the whole entrepreneurial process and thus enhances the understanding of how they cope with fear in each stage.

Thirdly, we contribute to deepening the knowledge about fear in entrepreneurship by bringing family issues to the table, which have not yet been studied to the best of our knowledge. This is an important advance because families are the entrepreneurs' affective and frequently financial support and have greatly impact their decisions. This study allows for a deeper understanding of the effect of families on micro-entrepreneurs, confirming the findings of Cogan et al. (2022) on one hand, and on the other hand, expanding their impact during and after the EF and understanding their decisive role in the potential re-entry into other businesses. We have demonstrated the need for the inclusion of this variable (families) when studying micro-businesses and their failure in particular. This study has made it very clear that the fear experienced by entrepreneurs during and after the failure of their businesses extends to their families with a similar intensity to that of the entrepreneur. The fear experienced by families also has a significant impact on entrepreneurs because it conditions their recovery and re-entry into new businesses. Therefore, it is important to understand the characteristics of families in order to comprehend the decisions of entrepreneurs.

Fourthly, we perceive the importance of the socioeconomic environment and the training and knowledge of entrepreneurs and families in how they experience fear, cope with it, and recover from the pain resulting from failure, a pain that is also influenced by fear.

5.7.2 Managerial and policy contributions

This study generated managerial implications by identifying the conditioning factors that raised the levels of fear of entrepreneurs and their families and influenced their decisions over re-entrance. Our results allow entrepreneurs to understand the role of their family, learn how to deal with fear in the final phase of their company, and try to understand what they may do to reduce the consequences of EF when it occurs.

From a policy perspective, our study explains the importance of a business system supporting entrepreneurial activity. For example, we show that a very high tax burden and the lack of a legal system that can help entrepreneurs to resolve problems may cause their failure. The lack of institutional support specifically for micro entrepreneurs and payment policies rank among the core practical aspects that require improvement and tailoring to reality to facilitate entrances and re-entrances into entrepreneurship.

On the other hand, there is a lack of educational policies that create lifelong learning systems to enhance the skills and knowledge of entrepreneurs with limited expertise, providing them with tools to help identify problems, analyse them, and solve them effectively. This knowledge can contribute to reducing fear and, thereby, increase the likelihood of re-entering other businesses. This study has also highlighted the importance of higher education aligning with the labor market and businesses. This expands students' practical knowledge, enabling them to manage their businesses more effectively if they decide to establish one. Additionally, it allows companies and entrepreneurs to access knowledge and tools that help improve their businesses.

5.8. Limitations and future research lines

One of the limitations of this study stems from the relatively small number of micro-companies located only in the north and centre of Portugal. Fear is an aspect of entrepreneurship that remains poorly understood. There are studies on the fear of failure (Hsu et al., 2015), on the effect of other entrepreneurs on fear (Wyrwich et al., 2016), on the consequences of fear (Kollmann et al., 2017), and on the reconceptualisation of fear (Cacciotti et al., 2016), but there remains much still to study to deploy such knowledge for the development of entrepreneurship through reducing fear levels. Given that entrepreneurs do not always see themselves as having fear at the time of failure, it would be interesting to delve into the motivations for the difficulty in assuming fear at this particular stage when they could do so more easily during an earlier phase. Pain and fear are interrelated; thus, it is important to study the relationship between these two feelings, particularly how fear feeds into pain and pain triggers fear and the relationships with the personality traits of each individual. Cacciotti et al. (2020) developed a fear measurement scale that would be interesting to use to assess the fear felt by entrepreneurs and relate it to certain characteristics of entrepreneurs, such as happiness or risk-taking.

5.9. Conclusions

The objective of this study was to answer the following question: when and why do micro entrepreneurs feel fear, and what is its impact on post-failure decisions? We thus analysed fear related to entrepreneurship using a broad reaching approach that examined various phases in entrepreneurs' lives, especially when failures took place and their effects on re-entrance through

new businesses. This analysis extended to the families to grasp the impact of fear and the influence of entrepreneurs.

Our study concluded that re-entrance into new businesses strongly depended on the consequences of failure and fear, not only of the entrepreneurs themselves but also of their families, as we see through what B says: "*Well, as I didn't have enough money, there needs to be a solution. And I had support from my family that gave me the courage to advance*". Prospect theory, which posits that people place greater emphasis on evaluating potential losses than on potential gains (Baron, 2004), may assist in explaining these perceptions of risk, especially in the wake of EF. In general terms, there is a tendency to avoid those activities in which losses are more likely to occur rather than substantial gains (Robinson & Marino, 2013). Hence, re-entrance was limited to those individuals with greater propensities to take on risks, as E states: "*to recover from the failure, I opened another company*". Fear of failure after having gone through bankruptcy may have biased risk analysis in keeping with how it restricted objectivity and hindered the capacity for analysis "*so these entrepreneurs can't start a business again, they're destroyed and they haven't learned anything that can help them. They always choose to work for someone else or retire if they can*", as S says.

We were, therefore, able to verify how fear accounted for an important facet of the entrepreneurial experience (Cacciotti et al., 2016) and remained present throughout every phase in the process. Despite various entrepreneurs stating that on launching their companies, they did not experience fear, other reported that they did have such feelings but that their enthusiasm overcame fear and enabled them to advance. Almost all respondents agreed that fear was present throughout the time in which their companies were running well. This might have been a more concrete or diffused fear but it nevertheless existed and impacted the actions and decisions of entrepreneurs. This fear was interrelated with very different aspects, such as fears either of clients not paying or not buying and experiencing a fall in turnover, potentially causing difficulties for paying the debts incurred in the meanwhile, as we see through what D says: *"... the client that I was working for began to have problems and I suffered as a consequence. He stopped paying and so did I.*". Others referred to problems derived from changes in technology or in the market, how stated C, "*the Internet changed everything. It was easier to sell before*" and "*Before, there was exclusivity. Afterwards, this was lost with the opening up of the market and we lost exclusive representation of certain brands. From the moment when there was a free market, the companies were themselves competing with the representatives. And as micro-companies, we had no voice.*" Other references were related to state policies, taxation, and the legal system (C and F) and also to the organisation of their own business that could not meet the prevailing level of demand. This was a latent fear, felt but not especially problematic and perceived by some respondents as a positive factor, capable of inducing greater capacities to get things done.

When EF takes place, the latent fear becomes explicit, but when the problems, especially financial issues, were not especially serious, a certain difficulty emerged in expressing this fear. However, the fear existed and had consequences regarding the decisions taken at this time and once entrepreneurs had recovered from this process. Indeed, the most common consequence was to avoid re-entrance into business out of the fear of going through a similar situation. Furthermore, entrepreneurs attributed the causes either to themselves, considering they lacked the capacity or were too old and already tired, or they cited external factors such as the state, taxation policies or other similar aspects. Re-entering a new business venture seemed to derive from two causes. One was the lack of other options for generating income for the household, while the other was the desire to be an entrepreneur. However, in the latter case in our study, there was no risk of a financial breakdown even if this new business went under, and this factor may well have facilitated the decision to re-engage.

We noted that fear spread to the family but only in the phases of failure and post-failure. Throughout the phase in which the business was successful, the families did not feel the latent fears experienced by entrepreneurs even though during and after business failure, they did feel the influence of many of the decisions of the entrepreneurs, especially that of not advancing with any future business.

Re-entry reflected a strong relationship with the scale of the loss and simultaneously with the existence or otherwise of support that provided entrepreneurs and their families with the security necessary to overcome fear and embark on a new business. When this security was lacking, such fears were not overcome, and they thus lacked the motivation to advance.

The literature on FoF implicitly accepts that business survival is assumed to be the sole objective (Cacciotti & Hayton, 2015; Jenkins et al., 2014; Patzelt & Shepherd, 2011). Our study revealed that the fear that we called latent fear was closely related to several other aspects, the importance of which varied from person to person. Fear emerged from the perceptions of situations and assessments of threats to goals and available options for dealing with them. We also conclude that fear can be positive by inducing the entrepreneur to act, solve problems, and foresee problems and threats as soon as possible. This is in line with the findings of Cacciotti & Hayton (2015), Foo et al. (2009) and Thompson et al. (2020).

CHAPTER 6 - Fear, wellbeing, risk and entrepreneurial failure

6.1. Introduction

Entrepreneurship is vital for countries to prosper, develop, and contribute to social and individual progress (Othman & Othman, 2021). The entrepreneurial process begins when an individual identifies and exploits business opportunities, i.e., when a person seizes opportunities to create new or develop existing products or services (Bakker & Shepherd, 2017). Regardless of the reason for entrepreneurship, success depends on the ability to take risks, experience and knowledge, and the entrepreneur's personal characteristics (Rauch & Frese, 2007). As personal characteristics influence entrepreneurship, emotions are an important part of the process (Cacciotti et al., 2016; Omorede & Thorgren, 2015). Emotions strongly influence negative and positive decision-making because they influence judgments and choices made (Lerner et al., 2015), including in entrepreneurship. In this sense, several studies have emerged on emotions and feelings in entrepreneurship (Cacciotti et al., 2016; Lu et al., 2022). Fear (Cacciotti & Hayton, 2015) and happiness (Teixeira & Vasque, 2020) are two emotions that significantly impact entrepreneurship because they significantly condition evaluations and, therefore, decisions entrepreneurs make. Decisions, for example, regarding the risks they are willing to take (Boermans & Willibrands, 2017) depend on their perception of risk, which conditions the evaluation of opportunities (Riquelme & Alqallaf, 2020).

If emotions are important in the entrepreneurial process, for a majority of reasons, they are also important in entrepreneurial failure (EF). EF being an especially painful situation for entrepreneurs (Shepherd, 2003), elicits a set of emotions (Jenkins, 2022), such as pain (Shepherd, 2009b), fear and fear of failure (FoF) (Cacciotti et al., 2016), stigma (Singh et al., 2015) that will condition their actions. There are several areas in the entrepreneurs' life where failure is felt: financial, emotional, psychological, social, professional, and entrepreneurial (Cope, 2011), like marital breakdowns, insomnia, depression, exhaustion, and financial loss (Cope, 2011; S. Singh et al., 2007).

On the flip side, positive emotions also play a crucial role. Whyley's (1998) pioneering work explored the impact of EF on the overall wellness of entrepreneurs. Prioritizing one's wellbeing is essential as it directly correlates with one's mental and physical health, and when individuals feel good, their performance tends to improve (Stephan, 2018).

Entrepreneurship plays an important role in the modern economy, which is highly dynamic. Failing as an entrepreneur has costs for society in terms of missed opportunities and wasted

resources, and it is devastating for the entrepreneur regarding financial and psychological impacts (Zhao et al., 2010). Therefore, understanding the inherent processes of entrepreneurship and the variables that attract people to entrepreneurship and what can facilitate entrepreneurial failure is important in an attempt to avoid it. Emotions such as fear and wellbeing influence the evaluation of reality (Foo, 2011) and, therefore, may contribute to failure and to make it difficult to recover. It is important to evaluate the levels of these emotions felt by entrepreneurs and understand their impact on how they evaluate their businesses and their attitude towards risk. It is crucial to deepen our understanding of the impact of wellbeing on risk propensity, which is essential to understand how entrepreneurs operate based on the emotions they experience.

These arguments were tested in the context of Portuguese entrepreneurs, using a unique dataset collected through an online survey distributed via social networks and personal and business emails. A total of 212 responses from entrepreneurs were obtained on questions about the fear and wellbeing they experienced. The objectives were, on the one hand, to evaluate the levels of fear and wellbeing of the entrepreneurs and on the other hand, to understand the impact of these emotions on their risk posture and their evaluation of the probability of their companies failing. It was also intended to understand if there are significant differences in the fear and wellbeing of entrepreneurs who have already experienced failures compared to those who have not. To assess how entrepreneurs evaluate the probability of their company's failure, they were asked to indicate where they believed their company would be in one year. Analysing the relationships between these variables, it was concluded that fear interferes with risk perception and that wellbeing influences risk-taking. It was also found that risk perception influences risk propensity, but the risk does not condition the probability of company failure evaluation. However, emotions condition the entrepreneur's evaluation, with fear increasing the notion of failure and wellbeing increasing the notion of success.

These results were obtained through structural equation modelling, which allowed for the evaluation of the relationships between the studied constructs. Specifically, we found that emotions significantly impact how entrepreneurs position themselves in relation to risk and evaluate their companies, particularly regarding their probability of failure.

This study brings three main contributions. Firstly, it contributes to knowledge about emotions in entrepreneurship and entrepreneurs' decision-making, reinforcing the importance of considering emotions in entrepreneurship. Levels of fear and wellbeing, as well as risk propensity and perceptions of organizational failure, were evaluated among active entrepreneurs, some of whom had previous failures and others who had not. Unlike previous studies that analyse fear in different contexts, such as sports (Conroy, 2001) and education (Martin & Marsh, 2003), this study focuses on fear in the entrepreneurship context inquiring active entrepreneurs with different ages and experiences. Previous studies highlight the importance of wellbeing for entrepreneurs' decision-making processes and overall health (Ryff,

2017), and this study shows the impact of wellbeing on entrepreneurs' evaluation processes. Dijkhuizen et al. (2018) found no relationship between wellbeing and organisational performance, but this study shows a positive relationship between wellbeing and entrepreneurs' assessment of their firm's performance.

Secondly, this study shows that entrepreneurs present high levels of wellbeing and relatively low levels of fear, despite the difficulties that followed the COVID-19 pandemic and during the war in Ukraine, both situations with serious consequences for society in general and entrepreneurs in particular (Batjargal et al., 2023).

Thirdly and from a practical standpoint, this study provides insights for entrepreneurs to realize the importance of their emotions and make an effort to understand themselves better, leading to more positive performance. Similarly, this knowledge can also help improve entrepreneurship training programs by exploring the significance of emotions such as fear and wellbeing, among others, in decision-making and analysis performed by entrepreneurs. This understanding can assist future entrepreneurs in better managing their emotions to enhance their performance as well as overall health (Ryff, 2017).

6.2. Theoretical background

6.2.1. Entrepreneurship, entrepreneurs and emotions

The importance of entrepreneurship for societies' economic and social evolution and job creation (Bao & Dou, 2021) justifies the importance of understanding the reasons for EF (Lindblom et al., 2020). Research on EF initially focused mainly on causes related to the company and its context (Burchell & Hughes, 2006; Cardon et al., 2011) but currently relies on a psychological perspective as the crucial role of the entrepreneurs (Frese & Gielnik, 2014) and their emotions (Delgado García et al., 2015). The entrepreneur's personality has a significant impact on the performance of their organisation (Rauch & Frese, 2007), especially in micro-enterprises (Caliendo & Kritikos, 2007; Rauch & Frese, 2000), which can explain the success of these companies in which the entrepreneur makes the major decisions (Przepiorka, 2017). An individual's personality traits influence their feelings, thoughts, and actions (Leiß & Rausch, 2022), and emotions condition their behaviour in the workplace (Ashkanasy & Dorris, 2017).

Emotions result from an external stimulus and are specific, a response to evaluations of how positive it is for one's own wellbeing (Lerner & Keltner, 2000). Thus, people can have different emotions or none in response to the same event (Bagozzi et al., 1999). Schwarz and Clore (1983) found that weather influenced people's self-assessment of life satisfaction, and Hirshleifer and

Shumway (2003) found a positive correlation between the amount of sunshine on a given day and the outcome of stock transactions on 26 exchanges worldwide between 1982 and 1997, with profits rising by 24.8%, demonstrating the impact of emotions and state of mind on business decisions.

Researchers' interest in studying emotions in entrepreneurship is mainly due to three reasons. First, knowledge about the entrepreneur will always be incomplete if emotions are not considered (Foo et al., 2013), as they condition cognition and vice versa (Damásio, 1994; Damásio, 1999). Second, entrepreneurs constantly face the unknown, which often provokes strong emotions, whether negative (Patzelt & Shepherd, 2011) or positive (Cardon et al., 2005). Finally, emotions play a decisive role when the situation is complex or atypical and/or when a choice or decision requires effort (Foo et al., 2009) and constructive thinking (Delgado García et al., 2015).

Chen et al. (2020) have shown that positive emotions such as joy and happiness, resulting from a positive evaluation of an event, are important for enhancing personal competencies, leading to a greater ability to seek opportunities and start a new business or expand an existing one. Negative emotions, such as fear or sadness, have the opposite effect (Welpe et al., 2012), reducing self-efficacy and limiting the ability to act on opportunities that may not be taken advantage of (Zampetakis et al., 2016). Emotions play an important role in adaptive coordination, triggering a set of responses (physiological, behavioural, experiential, and communicative) that allow individuals to solve problems or find opportunities (Lerner et al., 2015).

According to social cognitive theory (Bandura, 1986), emotions are important sources of information that people use to judge their own efficacy in performing specific tasks, which helps them adapt as best as possible to their surrounding circumstances. On the other hand, the affect-as-information theory (e.g., Clore et al., 2001; Schwarz & Clore, 1983; Schwarz & Clore, 1988) suggests that affective processes occur without relying on knowledge, that is, without being consciously aware of them, so the affective experience is crucial for obtaining information at a conscious level about the unconscious evaluations that are made. Affects thus allow us to understand implicit judgments and decisions (Clore & Storbeck, 2006). Therefore, an emotionally unhappy person is likelier to miss opportunities than to take advantage of them because negative feelings alter the perception of reality and reduce resilience (Usai et al., 2020). The appraisal tendency approach assumes that emotions trigger changes in cognition that persist beyond the moment when the situation that provoked the emotion has ended, thus reflecting in unrelated events (Gangemi et al., 2007). Emotions are linked to the evaluations made of the environment and, therefore, predispose individuals to make certain decisions and act in a certain way (Foo, 2011). So, it is not possible to understand entrepreneurial failure without understanding the emotions of entrepreneurs, as they strongly influence it (Lu et al.,

2022). Figure 6.1 presents the model to be tested and the hypotheses intended to be verified and will be presented and explained shortly.

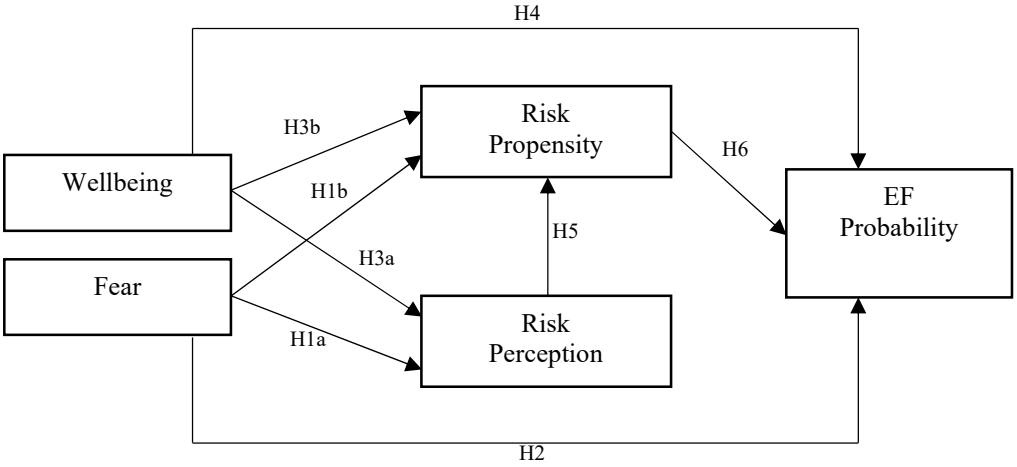


Figure 6.1. Research model

6.2.2. Hypotheses development

6.2.2.1. Fear

Some theories in psychology propose that fear is a basic and biological emotion for all humans and many other animals (Ekman, 1992). Studies on fear of failure (FoF) are relatively recent and have focused on different areas, such as sports (Zhang et al., 2018), education (Adamson, 2022), and entrepreneurship (Kollmann et al., 2017; Foo, 2011). Losing a business is a devastating experience for an entrepreneur, causing pain equivalent to losing a loved one, with consequent emotional, psychological, and physiological problems (Shepherd, 2009a).

Therefore, it is normal to have FoF, and the fear of failure occurrence is much higher than an occurrence of the actual failure, and the first arises independently from the latter (Engel et al., 2019). But this fear impacts the actions/decisions of entrepreneurs (Cacciotti & Hayton, 2015; Mitchell & Shepherd, 2010), so it is important to understand it. FoF can be seen as a form of loss aversion (Morgan & Sisak, 2016) and has traditionally been considered a negative aspect, where failure is seen as an obstacle to continuing entrepreneurial activity (Arenius & Minniti, 2005; Welpe et al., 2012). But this perspective is changing, beginning to be seen positively (Cacciotti & Hayton, 2015; Morgan & Sisak, 2016) as an opportunity for learning that leads to greater economic and entrepreneurial development (Cardon et al., 2011). When individuals evaluate situations as threatening to their goals or wellbeing (primary appraisals) or with a probability of uncertain, uncontrollable, or unmanageable outcomes (secondary appraisals), it is natural for

them to feel fear (Kish-Gephart et al., 2009), which is a cognitive and emotional reaction to a perceived threatening obstacle (Cacciotti & Hayton, 2015; Kollmann et al., 2017). If a situation is threatening, the fact that it is controllable reduces fear because people feel more comfortable in predictable situations that they can control (Grandey, 2008). Kollmann et al. (2017) found a relationship between the perception of obstacles and FoF, which influences the evaluation of opportunities (Mitchell & Shepherd, 2010), and can reduce the propensity to start a business (Koellinger et al., 2007) and moderate growth expectations (Atilla-Öner & Kunday, 2016).

Failure is always on the horizon for entrepreneurs, which gives relevance to the relationship between fear and failure (Dutta & Sobel, 2021). Business demographic statistics show that the five-year survival rate of new businesses in the European Union was only 44.6% in 2018 (EUROSTAT, 2020), confirming this fact. However, fear of failure (FoF) occurs much more frequently than actual failure and are independent variables (Engel et al., 2019). Another factor contributing to FoF is that entrepreneurs who work in highly unpredictable environments, with long hours, are subject to rapid changes facing high levels of risk and responsibility (Baron et al., 2016). According to Cacciotti et al. (2016), FoF encompasses cognitive, affective, and behavioural responses throughout the entrepreneurial process and is not static. FoF has several causes, such as lack of financial security, doubts about the ability to manage and finance the business, doubts about the potential of the idea, concern for those who depend on them (self-esteem), doubts about the ability of the company to continue, and opportunity costs, such as lack of time for family and friends that can upset the balance between professional and personal life, with all these causes interrelated (Cacciotti et al., 2020). According to Cacciotti et al. (2016), fear of failure reduces the likelihood of individuals exposing themselves to situations characterised by high risk. Thus, we hypothesise the following:

Hypothesis 1a (H1a): The higher the fear, the greater the perception of risk.

Hypothesis 1b (H1b): The higher the fear, the lower the propensity for risk.

Fear is a transient emotion that allows a person to adapt to a situation that arises from confronting a threatening stimulus (Adolphs, 2013). Fear is closely linked to entrepreneurship through the fear of failure that can influence decisions regarding opportunity evaluation (Mitchell & Shepherd, 2010), reduce the desire to start a business (Koellinger et al., 2007) or limit business growth (Atilla Öner & Kunday, 2016). Fear is an emotion associated with business failure, which can have positive and negative effects. Despite this duality, it was initially analysed mainly as a psychological barrier to entrepreneurial behaviour (Arenius & Minniti, 2005), but lately, its positive effects have been emphasised (Cacciotti et al., 2016). Fear influences the financial performance of small and medium enterprises (SME) (Games et al., 2020) and, therefore, can contribute to their failure. It is therefore important for understanding the entrepreneur and their emotions and failure to verify the following hypothesis:

Hypothesis 2 (H2): The higher the entrepreneur's fear, the higher the perception of the probability of failure.

6.2.2.2. Wellbeing

Wellbeing is a multidimensional construct that encompasses two dimensions: the hedonic approach, which focuses on happiness and defines wellbeing in terms of obtaining pleasure and avoiding pain, and the eudaimonic approach, which focuses on meaning and self-realisation and defines wellbeing in terms of the degree to which a person is functioning well (Ryan & Deci, 2001; Su et al., 2020). Wellbeing reflects how well a person perceives their life to be going (Lucas & Diener, 2009), and it is a stable emotion with a "state of equilibrium" that only changes when serious situations deeply affect people's lives or with continuous changes having the same effect (Dijkhuizen et al., 2018). Positive affect facilitates approach and induces people to engage with their environment, making it easier to obtain resources (Frederickson, 2001) and positively impacting a person's psychological and physical wellbeing (Sweida & Sherman, 2020). Positive affect improves thinking, resilience, and coping with challenging situations (Folkman & Moskowitz, 2000), which are important aspects of entrepreneurship. Positive feelings of competence and confidence in one's own abilities to perform important tasks and achieve desired results significantly impact a person's wellbeing and happiness (Caprara et al., 2006). Positive feelings are positively related to confidence: the higher the confidence, the higher the risk-taking behaviour (Pirinsky, 2013; Foo, 2011).

Therefore, the following hypotheses are formulated:

Hypothesis 3a (H3a): The higher the entrepreneur's wellbeing (positive affect), the lower their perception of risk.

Hypothesis 3b (H3b): The higher the entrepreneur's wellbeing (positive affect), the greater their propensity for risk-taking.

Success increases self-esteem and, in the case of entrepreneurs, their income (Bao & Dou, 2021), which is why entrepreneurship is considered a potential source of wellbeing (Stephan, 2018). So, research on entrepreneurs' wellbeing is critical to understand entrepreneurial action, decision-making, and motivation (e.g., Shepherd & Patzelt, 2015), although its study in the field of entrepreneurship is still recent, with the majority of articles published from 2017 onwards, it has been studied in other disciplines such as psychology, economics, and occupational health research (Stephan, 2018), but research on wellbeing remains fragmented. As wellbeing being a key factor for personal and financial success (Dijkhuizen et al., 2018), this justifies the placement of the following hypothesis.:

Hypothesis 4 (H4): The higher the entrepreneur's wellbeing, the lower the perception of probability of failure.

6.2.2.3. Risk

Risk is the likelihood of a decision having negative consequences (Riquelme & Alqallaf, 2020), and its magnitude is the size of losing (Nefzi, 2018). How individuals position themselves towards risk is a personal characteristic that influences their decisions (Sitkin & Pablo, 1992). Risk perception is the evaluation of the inherent risk in a situation (Jackson & Dutton, 1988) and risk propensity corresponds to an individual's tendency to take risks or avoid them (Sitkin & Weingart, 1995). When a situation is evaluated as having less risk, it is more likely to be seen as an opportunity (Riquelme & Alqallaf, 2020), so different risk perceptions lead to different risk attitudes (Blais & Weber, 2006). People react to risk in two ways, by evaluating it cognitively and emotionally, which are related to each other because cognitive evaluations generate emotions and emotions influence evaluations (Loewenstein et al., 2001).

According to Cardon et al. (2012), emotion is a set of subjective feelings of pleasure or displeasure, including different experiences. The combination of one's affective state, conscious processing of that state, and attribution of the state to a cause or focus collectively contributes to the experience of emotion (Barrett et al., 2007) Therefore, while there are different types of emotional experiences, it is considered that emotion encompasses these different types of subjective feelings. Emotions arise from a judgment or choice strongly shape decision-making (Damásio, 1994) and biased decisions. Their influence on decisions is strong and often goes against cognitive information that suggests alternative options (Loewenstein et al., 2001).

A situation is considered risky when the expected outcomes are more negative than positive when there is more potential for loss than gain, and when it is viewed more as a threat than an opportunity (Sitkin & Weingart, 1995). In other words, decisions are riskier to the extent that (a) the expected outcomes are more uncertain, (b) the decision objectives are more difficult to achieve, or (c) the set of potential outcomes includes some extreme consequences (Sitkin & Pablo, 1992). The first empirical study that demonstrated the effects of emotions on risk perception was conducted by Johnson and Tversky in 1983, who concluded that emotions affect risk perception (Weber et al., 2002) and that when they are negative, they increase negative evaluations of all types of events. Emotions influence both risk perception and attitude because individuals use emotions to obtain information which they then use to evaluate situations and the associated risk (Riquelme & Alqallaf, 2020). Boermans and Willibrands (2017) concluded that entrepreneurs who are more willing to take risks and have a reduced perception of risk tend to perform less. However, Forlani and Mullins (2000) provide evidence that risk propensity had no effect on risk perception. These arguments lead to propose the following hypothesis:

Hypothesis 5 (H5): The higher the risk perception, the lower the risk propensity.

Despite being crucial to the economy and society, failure occurs very frequently. Several studies refer to the many companies that fail (Artinger & Powerll, 2016; González & Fuentelsaz, 2015; Hogarth & Karelaia, 2012; Singh et al., 2007). In 2018, the mortality rate of new ventures three years after opening was quite high, around 42% in Europe and about 50% in the US, according to EUROSTAT and the Small Business Administration - Office of Advocacy's referred by Forbes. Besides being interesting, understanding failure can help companies avoid it and successfully solve their problems (Moulton et al., 1996). EF, due to its high prevalence, is increasingly perceived as an important aspect associated with entrepreneurship that must be understood (Jenkins & McKelvie, 2016), as it has intense consequences on the lives of entrepreneurs and also on those around them (Klimas et al., 2020).

One way to approach EF is through the emotional approach, which considers that the inherent characteristics of the entrepreneur and psychological factors (van Gelder, 2007) can interfere with EF or success. Cardon et al. (2012) consider that entrepreneurship is closely linked to affect, emotions, states of mind, and feelings, individual or collective, generating strong emotions because, in an extreme context in terms of time pressures and uncertainty, there are personal consequences linked to the fate of the company. On the other hand, emotions condition decision-making (Lu et al., 2022).

As entrepreneurship is characterised by uncertainty and instability (Baron et al., 2016), it is natural for entrepreneurs to reflect this situation emotionally. Failure is always a possibility (Jenkins, 2022). The causes that justify EF can be external (Klimas et al., 2020) and internal (Muñoz-Izquierdo et al., 2019) to the entrepreneur, in which case emotions have an impact. Perception of risk and propensity for risk are two key dimensions of the entrepreneur's attitude towards risk (Boermans & Willibrands, 2017). The entrepreneur's posture towards risk and how they perceive it are internal aspects that can significantly impact EF. However, there are contradictory studies. While Zhao et al. (2010) did not find clear evidence of the impact of a propensity for risk on company performance, Lechner and Gudmundsson (2012) showed that a high propensity for risk reduces performance. The following hypothesis may clarify this issue:

Hypothesis 6 (H6): The higher the propensity for risk, the higher the probability of failure.

6.3. Methods

6.3.1. Research context and approach

The present study evaluates entrepreneurs' two types of emotions – fear and wellbeing – to understand if they influence their evaluation and posture towards risk. It is also interesting to understand if the entrepreneur's evaluation and posture towards risk influence the failure or success of their companies. We aim to analyse the negative and positive emotions of the entrepreneur hence the failure or success of the companies are evaluated by the entrepreneur and not by external indicators.

We decided to study entrepreneurs' wellbeing (Dijkhuizen et al., 2018) and fear (Cacciotti et al., 2016) because they are multidimensional emotions that condition people's behaviour and decisions. Evidence suggests that positive emotions improve attention levels, cognition, physical, intellectual, and social resources (Frederickson, 2001), all relevant aspects of entrepreneurship. As for fear, it is an important part of entrepreneurship (Cacciotti & Hayton, 2015). Most studies on fear do not focus on entrepreneurs but on higher education students in entrepreneurship, and it is still under-studied in a real context (Cacciotti et al., 2016), thus it makes sense to evaluate the fear that entrepreneurs feel when they are active.

The analysis that the entrepreneur makes of risk and how they decide based on that analysis can condition the success or failure of a company, so it is important to understand the role of emotions in that analysis. We did not find enough studies on the effect of emotions on risk in entrepreneurship, responding to Lu et al.'s (2022) proposal on the need to study specific emotions in entrepreneurship.

6.3.2. Sample and data

For data collection, the questionnaire (Appendix 6A) was placed online on the LimeSurvey platform (version 3.15.9+190214) and emailed to entrepreneurs and companies whose contacts were obtained from business associations throughout the country and through the authors' contacts (Dijkhuizen et al., 2018). The questionnaire was also shared on social media, requesting each person to distribute it among their contacts. In the two situations, the purpose of the study was explained, guaranteed the confidentiality of their answers, and included a link to the survey. The sample included 212 valid responses. The sample characterisation is presented in Table 6.1.

		N	**%**
Gender	Women	84	46,9%
	Men	93	52,0%
	Others	2	1,1%
Age	< 30 years old	12	6,7%
	[30 – 39] years old	36	20,1%
	[40 – 49] years old	51	28,5%
	> 50 years old	80	44,7%
Marital status	Married	108	60,3%
	Divorced	31	17,3%
	Single	35	19,6%
	Widow	5	2,8%
Education	Middle School	14	7,8%
	High School	38	21,2%
	Bachelor	82	45,8%
	Master	36	20,1%
	PhD	8	4,5%
	Other	1	0,6%
Sector of activity	Industry	36	20,1%
	Services	102	57,0%
	Other	41	22,9%
Size	Micro	111	62,0%
	Small	47	26,3%
	Medium	21	11,7%
Seniority	< 5 years	24	13,4%
	Between 5 and 9 years	40	22,3%
	Between 10 and 19 years	45	25,1%
	> 20 years	70	39,1%
Region	North	99	55,6%
	Centre	35	19,7%
	Grande Lisboa	18	10,1%
	Alentejo	10	5,6%
	Algarve	5	2,8%
	Madeira	2	1,1%
	Other Countries	9	5,1%

Table 6.1. Sample description

Table 6.2 shows the percentage of entrepreneurs who had previously created other companies and of entrepreneurs who had already experienced at least one failure.

		N	%
Have you created another company previously??	No	133	74,3%
	Yes	46	25,7%
Did any of the companies you had go bankrupt or close down?	No	20	43,5%
	Yes	26	56,5%

Table 6.2. Entrepreneurs who had previous companies and failures.

6.3.3. Measures

The study utilized multi-item measures for all constructs, which were based on previously validated instruments in the literature. The items were scored on a ten-point Likert-type scale, as shown in Table 6.3. Responding to Cacciotti et al. (2020) proposal, we evaluated the fear of entrepreneurs by applying the scale they developed. To measure wellbeing was used the Psychological Wellbeing Scale designed to be used in a national survey in the US (Ryff & Keyes, 1995). Wellbeing integrates several dimensions (Lucas & Diener, 2009), suitable for evaluating the wellbeing of entrepreneurs. Risk propensity and risk perception were evaluated with the DOSPERT scale (Blais & Weber, 2006) used in several studies (Foster et al., 2009; Mishra et al., 2010).

Entrepreneurs were also asked to assess the success of their companies within one year, with a Likert scale ranging from 1 - no longer exists to 10 - will be much better than today. In this way, we sought to obtain the entrepreneur's evaluation of the probability of their company's failure.

Construct/Item	Scale items	Factor load
Fear (α = 0.915; CR = 0.918; AVE = 0,632) (scale: 1 = strongly disagree; 10 = strongly agree)		
F1	...of loosing all my savings (Financial Security - FS)	0,84
F3	... of not being able to pay the expenses (Ability to fund the business – F)	0,79
F4	that no one will be interested in the product/service (Potential of the idea – PI)	0,78
F5	...of not being able to manage people effectively (Personal ability – PA)	0,88
F6	... of loosing all my savings (FS)	0,81
F7	... of other people's expectation of me (Threat to social esteem – TSE)	0,87
F8	... of running out of Money (FS)	0,80
F9	... of losing the trust of people who are important to me (TSE)	0,80
F11	...of not being able to finance the business (F)	0,87
F13	... of not being able to fulfil all the roles that this job requires (PA)	0,72
F14	... of not being able to manage this business effectively (PA)	0,87
F15	...that this is not a valuable business idea (PI)	0,79
F16	... of disappointing the people who are important to me (TSE)	0,78
F17	...that there is no need for our product/service out there (PI)	0,71
F18	...of not being able to get the required funding for the business (F)	0,87
F19	...meet client expectations (Venture capacity – VE)	0,73
F20	...overcome technical challenges (VE)	0,70
F21	...deliver upon promises (VE)	0,65
Wellbeing (α = 0.902; CR = 0.920; AVE = 0,514) (scale: 1 = strongly disagree; 10 = strongly agree)		
WB1	I like most parts of my personality (Self-Acceptance – SA)	0,75
WB2	When I look at the story of my life, I am pleased with how things have turned out so (SA)	0,80
WB6	Maintaining close relationships has been difficult and frustrating for me (Positive Relations with Others- PR)	0,54
WB8	In general, I feel I am in charge of the situation in which I live (Environmental mastery – EM)	0,70
WB9	I am good at managing the responsibilities of daily life (EM)	0,74
WB10	I sometimes feel as if I've done all there is to do in life (Purpose in Life - PL)	0,53
WB11	For me, life has been a continuous process of learning, changing, and growth (Personal growth –PG)	0,81
WB12	I think it is important to have new experiences that challenge how I think about myself and the world (PG)	0,83
WB14	I gave up trying to make big improvements or changes in my life a long time ago (PG)	0,65
WB17	I have confidence in my own opinions, even if they are different from the way most (Autonomy -A)	0,78
WB18	I judge myself by what I think is important, not by the values of what others think is important (A)	0,70
Risk Perception (α = 0.939; CR = 0.944; AVE = 0,503) (scale: 1 = not at all risky; 10 = extremely risky)		
RP5	Drinking heavily at a social function. (Health/Safety - H/S)	0,58
RP6	Taking some questionable deductions on your income tax return. (Ethical - E)	0,74
RP7	Disagreeing with an authority figure on a major issue. (Social - S)	0,72

RP9	Having an affair with a married man/woman. (E)	0,74
RP10	Passing off somebody else's work as your own. (E)	0,65
RP11	Going down a ski run that is beyond your ability. (Recreational - R)	0,78
RP13	Going white water rafting at high water in the spring. (R)	0,80
RP15	Engaging in unprotected sex. (H/S)	0,73
RP16	Revealing a friend's secret to someone else. (E)	0,63
RP17	Driving a car without wearing a seat belt. (H/S)	0,84
RP19	Taking a skydiving class. (R)	0,56
RP20	Riding a motorcycle without a helmet. (H/S)	0,79
RP23	Sunbathing without sunscreen. (H/S)	0,63
RP24	Bungee jumping off a tall bridge. (R)	0,77
RP25	Piloting a small plane. (R)	0,72
RP26	Walking home alone at night in an unsafe area of town. (H/S)	0,76
RP27	Moving to a city far away from your extended family. (S)	0,56
Risk Propensity (α = 0.892; CR = 0.910; AVE = 0,480) (scale: 1 = extremely unlikely; 10 = extremely likely)		
RPR3	Betting a day's income at the horse races. (Financial - F)	0,73
RPR5	Drinking heavily at a social function. (H/S)	0,71
RPR6	Taking some questionable deductions on your income tax return. (Ethical - E)	0,65
RPR8	Betting a day's income at a high-stake poker game. (F)	0,77
RPR9	Having an affair with a married man/woman. (E)	0,66
RPR11	Going down a ski run that is beyond your ability. (Recreational - R)	0,67
RPR12	Investing 5% of your annual income in a very speculative stock. (F)	0,78
RPR13	Going white water rafting at high water in the spring. (R)	0,68
RPR15	Engaging in unprotected sex. (H/S)	0,67
RPR17	Driving a car without wearing a seat belt. (H/S)	0,65
RPR20	Riding a motorcycle without a helmet. (H/S)	0,64

Table 6.3. Measurements scales

The EF variable was inverted to measure the probability of failure. It was asked, as well, whether the entrepreneurs had had previous companies that had experienced failure, and if so, what was the severity of the consequences. To characterize the entrepreneurs, questions were asked about gender, age, marital status, education, and for companies, sector of activity, size, seniority, and region.

6.4. Data analysis

A structural equation modelling (SEM) approach was employed to validate the hypotheses under study using the estimation method known as Partial Least Squares (PLS). Previous studies show that this method is widely used in business science research (e.g. Hair et al., 2020). PLS-SEM was chosen over covariance-based SEM (CB-SEM) due to the non-normal distribution of the items, which is a necessary assumption for CB-SEM. Additionally, the sample size did not allow for precise estimation through CB-SEM, and the constructs were composite measures (Hair et al., 2020, 2019; Sarstedt et al., 2019).

To ensure the factorial structure of the instrument used, it was necessary to evaluate the reliability and validity of the indicators used to represent and measure the theoretical concepts (Hair et al., 2020, 2019; Sarstedt et al., 2019). Construct validity is the magnitude to which a set of items reflects the latent theoretical construct to be measured, while instrument reliability refers to the consistency and reproducibility of the measure (Hair et al., 2020, 2019; Sarstedt et al., 2019). Table 6.4 presents a synthesis of the criteria (e. g., Fornell & Larcker, 1981; Hair,

2010; Henseler et al., 2015) for the analysis of the validity and reliability of the data collection instrument used. Since PLS-based structural methodologies do not have appropriate global fit measures, unlike covariance-based methodologies, structural models estimated by PLS are evaluated through the analysis of the coefficient of determination values (R^2 above 25%) for endogenous constructs and the value of the standardised root mean square residual (SRMR less than 0.08).

Statistic	**Reference values**
Factorial Validity	Factor loadings ≥ 0,5, ideally ≥ 0,7
Converging Validity	$AVE_j \geq 0,5$
Discriminant Validity	$AVE_j \geq R^2$
Composite Reliability	CR ≥ 0,7
Cronbach's Alpha	Alpha ≥ 0,6

Note: AVE - Average Variance Extracted; CR - Composite Reliability

Table 6.4. Validity indicators of the instrument

In estimating the structural models, the bootstrapping procedure (with a sample of 10,000 bootstraps) was used to determine the t statistics and their statistical significance. The t-test for two independent samples and one-way ANOVA were used to compare average scores based on certain characteristics of the entrepreneurs and companies. All calculations were performed using SmartPLS version 3.3.2 2 (Ringle et al., 2015) and IBM SPSS version 27.0 for Windows (IBM Corporation, 2020).

6.4.1. Constructs validity and reliability

After eliminating several items from different constructs, the factor loadings, in general, are above 0,7. Cronbach's Alpha and composite reliability also show values above the required limits of 0,7, respectively. For all constructs, the AVE is above the threshold of 0.5, except for Risk propensity, which has a value slightly below the threshold (0,48). To test whether the constructs were sufficiently different, discriminant validity was inspected using Fornell and Larcker (1981) criterion, which requires that a construct's AVE be greater than the square of its highest correlation with any other construct.

Table 6.5 presents the correlations between the five constructs: Fear, Wellbeing, Risk Perception, Risk Propensity, and EF Probability. The values indicate the strength and direction of the correlations between each pair of constructs.

	Mean	SD	Fear	Wellbeing	Risk Perception	Risk Propensity	EF Probability
Fear	3,50	1,99	0,795				
Wellbeing	7,85	1,51	-0,329	0,717			
Risk Perception	7,45	2,05	0,317	0,218	0,709		
Risk Propensity	2,07	1,35	0,232	0,304	-0,242	0,693	
EF Probability	4,05	2,05	0,447	-0,422	0,174	0,190	NA

SD – Standard Deviation; N/A - Not applicable

Table 6.5. Correlation between constructs (square root of AVE on diagonal)

We can observe that fear has a strong positive correlation with risk perception (0,795) and a moderate positive correlation with EF probability (0,447). This indicates that the greater the fear the entrepreneur experiences, the greater his perception of risk and his belief in EF. On the other hand, wellbeing has a moderate negative correlation with fear (-0,329) and with EF probability (-0,442), suggesting that the greater the entrepreneur's wellbeing, the lower his fear and belief in EF. In addition, risk perception has a moderate negative correlation with risk taking (-0,242). Therefore, the higher the risk perception, the lower the risk taking. Finally, likelihood of failure does not have a significant correlation with risk taking or risk perception, suggesting that belief in EF is not an important factor in determining a person's willingness to take risks.

The table shows that fear and wellbeing strongly correlate with the other constructs, while EF probability does not significantly correlate with the other constructs. Risk perception and risk taking are moderately correlated with each other and with other constructs.

6.5. Results and discussion

6.5.1. Structural model

A series of metrics were used to estimate the structural model and test the research hypotheses: standardised coefficients (β), p-value, standard error, and R^2. The results reported in Table 6.6 show that the estimated structural model has acceptable predictive power (R^2 = 28,75%) with an SRMR (Standardized Root Mean Square Residual) value of 0.077.

Hypotheses	Paths	β	SE	p
H1a	**Fear → Risk Perception**	**0,28**	**0,08**	**0,001****
H1b	Fear → Risk Propensity	0,11	0,11	0,165
H2	**Fear → EF Probability**	**0,34**	**0,08**	**0,000****
H3a	Wellbeing → Risk Perception	0,13	0,09	0,070
H3b	**Wellbeing → Risk Propensity**	**0,24**	**0,13**	**0,035***
H4	**Wellbeing → EF Probability**	**-0,30**	**0,08**	**0,000****
H5	**Risk Perception → Risk Propensity**	**-0,16**	**0,09**	**0,046***
H6	Risk Propensity → EF Probability	0,02	0,08	0,407

Note: * $p < 0,05$; ** $p < 0,01$; β – Standardized Coefficients; SE – Standard Error

Table 6.6. Standardized Coefficients of the model

This study focused on the fear and wellbeing of entrepreneurs, as although there are many studies on emotions in entrepreneurship, they focus on their positivity and negativity, but few examine specific emotions (Lu et al., 2022). Figure 6.2 displays the research model with the validated hypotheses. The empirical findings indicate that emotions condition how one sees and positions oneself towards risk. It can also be concluded that the higher the risk perception, the less tendency there is to take risks, which aligns with previous studies (Zhao et al., 2010). Fear and wellbeing condition the way of evaluating the EF probability. Entrepreneurs who show higher levels of fear evaluate their companies as having a higher probability of failing, while entrepreneurs with higher levels of wellbeing evaluate it the opposite way, considering that their companies have a lower probability of failing within a year. On the other hand, it was also found that perceiving or positioning oneself towards risk does not interfere with the evaluations performed.

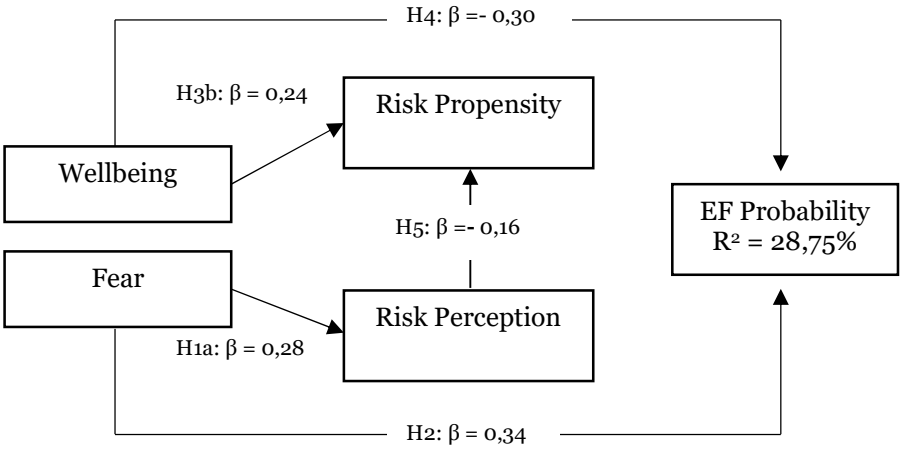


Figure 6.2. Empirical model

The fact that risk perception has a negative, statistically significant impact ($\beta = - 0,16$; $p < 0,05$) on risk propensity allows us to validate hypothesis 5. This result would be expected because if the risk is related to the probability of a certain action having negative consequences (Riquelme

& Alqallaf, 2020), then the higher the perceived risk, the lower the probability of taking that action to avoid those consequences.

The entrepreneur's FoF can be motivating, but only when the standards for success are sufficiently high. For those with more modest aspirations, this inevitably reduces motivation and investment in the business organization. This is associated with the negative effects of FoF on entrepreneurial activities (Games et al., 2020). There is a relationship between fear and risk. When people are afraid of failure, they have a lower tendency to take risks, that is, to make a decision whose consequences could be negative (Cacciotti et al., 2016). In this study, a statistically significant positive impact was found between fear and risk perception ($\beta = 0,28$; $p < 0,01$), which allows us to validate hypothesis H1a, which is consistent with studies by Lerner and Keltner (2001), who concluded that the more fear one feels, the more negatively they evaluate risk and the more risk-averse they are. However, Nefzi (2018) reaches an opposite conclusion, that fear does not have a significant effect on risk perception.

However, hypothesis H1b, which considered that the greater the fear, the lower the propensity for risk, was not validated ($\beta = 0,11$; $p = 0,165$), although, in the face of fear, individuals tend to avoid the situation they consider threatening (Ahmadi & Soga, 2022).

Numerous scholars argue that positive emotions positively impact entrepreneurial success (Dijkhuizen et al., 2018), while negative emotions can hinder it (Bernoster et al., 2020). For instance, Dijkhuizen et al. (2018) found that achieving greater entrepreneurial wellbeing benefits entrepreneurial success, while Bernoster et al. (2020) discovered a negative relationship between negative emotions and entrepreneurial success. Thus, it would be expected that fear had a significantly positive impact on the perception of the probability of failure, meaning that the higher the fear, the more people evaluate their company as having less success. So, the result obtained that fear has a statistically significant positive impact on the perception of the probability of failure ($\beta = 0,34$; $p < 0,01$) was expected, corroborates H2, and is aligned with the literature.

Wellbeing reflects how much individuals feel good and their life goes according to what they desire (Lucas & Diener, 2009), and it is an important emotion because it influences aspects such as work productivity, job satisfaction, personal income, and career (Wright & Cropanzano, 2000). This study found that there is no statistically significant positive impact of wellbeing on risk perception ($\beta = 0,13$; $p = 0,070$), but there is a statistically significant positive impact of wellbeing on risk propensity ($\beta = 0,24$; $p < 0,05$). This finding is interesting as it suggests that while wellbeing may not necessarily lead to a more accurate perception of risk, it may influence an entrepreneur's willingness to take risks. This highlights the importance of considering how people perceive risk and how they respond to it.

Lyubomirsky et al. (2005) consider that individuals perform better when they are feeling well, and according to Chen et al. (2020), positive emotions, like joy and happiness, play a crucial role in improving an individual's personal competencies, ultimately enhancing their ability to identify and pursue opportunities. This highlights the significance of emotional wellbeing in entrepreneurship and suggests that cultivating positive emotions may be an effective strategy for promoting entrepreneurial success. This is consistent with the findings of this study, which found that wellbeing has a statistically significant negative impact on the evaluation of EF probability (β = - 0,30; $p < 0,01$), confirming hypothesis H4.

According to Atabay et al. (2018), people with a high risk perception have a low risk propensity, and those with a high risk propensity are usually not financially well-off. And the propensity for taking risks was a significant predictor of success in entrepreneurship (Soomro & Shah, 2022). Although failure is not exactly the same as the perception of failure, the results make it possible to understand that the fact that entrepreneurs have a higher propensity to take risks does not affect their perception of the probability of failure of their company. It was found that there is no statistically significant impact of risk propensity on perception of the probability of failure (β = 0,020; $p = 0,407$), so the results do not validate H6.

6.5.2. Analysis of differences between constructs

Table 6.7 shows the differences in average scores depending on some of the characteristics of entrepreneurs and companies. Fear presents a low score (3,50 ± 1,99) while wellbeing presents a high score (7,85 ± 1,51), which is in line with Stephan (2018). On the other hand, it was found that risk perception is high among these entrepreneurs (7,45 ± 2,05), and risk propensity is very low (2,07 ± 1,35), being the variable that presents the lowest score and standard deviation. This is consistent with previous studies that suggest that entrepreneurs are risk-averse (Riquelme & Alqallaf, 2020).

Regarding the evaluation of the surveyed entrepreneurs on the probability of failing within one year, a score of 4,05 ± 2,05 was obtained, showing that the majority are confident in their company's performance.

Statistically significant differences ($p < 0,05$) were observed between entrepreneurs with and without previous failure experiences in the average scores of fear, risk perception, and risk propensity. Entrepreneurs who experienced previous failures showed higher average scores of fear (3,74 ± 1,90) than those who did not experience failures (2,19 ± 1,55), as well as having a higher risk propensity (2,71 ± 2,13) than those who never experienced failures (1,72 ± 0,57).

Regarding risk perception, it is the opposite, those who never failed presented higher scores (8,01 ± 1,54) than those who already failed (6,64 ± 2,22).

The level of education only shows significant differences regarding the wellbeing of entrepreneurs, where those with lower levels of wellbeing also have lower levels of education and perceive a higher probability of their companies failing compared to those with higher education. Regarding fear related to the size of the companies, it was found that entrepreneurs, who have micro-enterprises, experience more fear, and fear decreases as the size of the company increases. Regarding risk, younger entrepreneurs have a higher perception of risk and a lower propensity for risk.

		Fear		Wellbeing		Risk Perception		Risk Propensity		EF Probability	
		Mean ± SD	p	Mean ± SD	p	Mean ± SD	p	Mean ± SD	p	Mean ± SD	p
Gender	Women	3,24 ± 2,01	0,072	8,08 ± 1,33	0,074	7,85 ± 2,10	0,011*	1,74 ± 1,19	0,001**	3,99 ± 1,97	0,651
	Men	3,78 ± 1,95		7,67 ± 1,65		7,06 ± 1,96		2,38 ± 1,43		4,13 ± 2,14	
Age	< 30 years old	2,97 ± 1,85	0,083	8,46 ± 0,95	0,074	7,85 ± 1,87	0,012*	1,77 ± 0,71	0,034*	2,92 ± 1,08	0,049*
	]30 – 39] years old	3,08 ± 1,79		8,27 ± 1,57		8,28 ± 1,41		1,53 ± 0,51		3,53 ± 1,23	
	[40 – 49] years old	4,06 ± 2,11		7,81 ± 1,31		6,85 ± 2,22		2,25 ± 1,18		4,29 ± 2,15	
	> 49 years old	3,42 ± 1,97		7,60 ± 1,63		7,41 ± 2,12		2,24 ± 1,69		4,29 ± 2,31	
Education	Middle School	4,70 ± 1,60	0,189	5,71 ± 1,63	0,000**	7,54 ± 1,33	0,340	2,14 ± 1,08	0,306	5,86 ± 1,92	0,005**
	Bachelor	3,30 ± 2,08		8,05 ± 1,47		7,34 ± 2,16		2,01 ± 1,21		4,13 ± 2,09	
	Master	3,45 ± 1,93		8,46 ± 1,07		8,07 ± 1,72		1,96 ± 1,44		3,58 ± 1,68	
	PhD	3,35 ± 2,20		8,36 ± 0,90		6,95 ± 2,69		3,06 ± 2,80		3,25 ± 1,98	
Activity Sector	Industry	2,88 ± 1,61	0,014*	8,12 ± 1,45	0,343	7,41 ± 1,41	0,013*	1,95 ± 0,68	0,056	3,67 ± 1,85	0,130
	Services	3,87 ± 2,06		7,72 ± 1,49		7,14 ± 2,22		2,26 ± 1,59		4,31 ± 2,22	
	Other	3,13 ± 1,96		7,96 ± 1,61		8,26 ± 1,94		1,68 ± 1,01		3,71 ± 1,72	
Firm Dimension	Micro	3,94 ± 2,09	0,000**	7,62 ± 1,59	0,010*	7,30 ± 2,21	0,348	2,14 ± 1,41	0,351	4,26 ± 2,23	0,154
	Small	3,00 ± 1,72		8,41 ± 1,28		7,59 ± 1,88		1,83 ± 0,81		3,81 ± 1,85	
	Medium	2,31 ± 1,14		7,85 ± 1,28		7,96 ± 1,57		2,23 ± 1,87		3,43 ± 1,29	
Seniority	< 5 years	3,80 ± 1,97	0,257	7,23 ± 2,00	0,000**	7,27 ± 1,76	0,752	2,05 ± 1,45	0,662	3,83 ± 1,81	0,026*
	[5 – 9] years	3,80 ± 1,86		8,12 ± 1,13		7,61 ± 1,95		1,85 ± 0,90		3,90 ± 1,72	
	[10 – 20] years	3,02 ± 1,89		8,56 ± 1,04		7,65 ± 2,13		2,08 ± 1,28		3,44 ± 2,01	
	> 20 years	3,54 ± 2,11		7,46 ± 1,58		7,30 ± 2,19		2,19 ± 1,57		4,59 ± 2,24	
Did any of the companies you had go bankrupt or close down?	No	2,19 ± 1,55	0,005**	8,17 ± 1,69	0,087	8,01 ± 1,54	0,030*	1,72 ± 0,57	0,001**	3,20 ± 2,14	0,338
	Yes	3,74 ± 1,90		7,42 ± 1,91		6,64 ± 2,22		2,71 ± 2,13		3,77 ± 1,89	

Note: * p < 0,05; ** p < 0,01

Table 6.7. Average scores of constructs according to some characteristics of the entrepreneur and the company

6.6. Contributions

6.6.1. Theoretical contributions

This study brings several theoretical contributions. Firstly, fear was evaluated using a scale (Cacciotti et al., 2020) that incorporates the different dimensions of this emotion, enabling a robust assessment of fear among entrepreneurs. This allows for advancing knowledge in comparison to previous studies that used fear scales with inadequate accuracy (Nefzi, 2018), which limited the relationship between fear of failure and entrepreneurship. This study also revealed that the experience of prior business failure is associated with higher levels of fear, demonstrating that, despite this fear, these entrepreneurs went on to start other businesses.

Secondly, the evaluation of entrepreneurs' wellbeing was also conducted using a scale that assesses different dimensions of wellbeing, such as environmental mastery, personal growth, positive relations with others, purpose in life, and self-acceptance (Ryff & Keyes, 1995). This constitutes a more robust evaluation than that used in previous studies, which only focused on job satisfaction, general satisfaction, and work engagement (Dijkhuizen et al., 2018). The entrepreneurs exhibit high level of wellbeing. Su et al. (2020) concluded that entrepreneurship is a process for obtaining happiness and satisfaction, which may explain the high levels of wellbeing that entrepreneurs present despite the serious crises currently being experienced, such as the COVID-19 pandemic and the war in Ukraine (Batjargal et al., 2023), both with harsh consequences for businesses. These emotions were evaluated during the entrepreneurial process, and in cases of previous failures, after the failure, which provides a dynamic view of the emotions of entrepreneurs. Only a limited number of studies have explored the relationship between wellbeing and performance in the case of entrepreneurs (see for a review Gorgievski and Stephan, 2016). It also analysed how the entrepreneurs' wellbeing impacts their risk propensity and their evaluation of the failure of their firms. It is important to understand how wellbeing interferes with the evaluations that entrepreneurs make because decisions are influenced by the evaluations made of situations (Foo, 2011).

Wellbeing contributes to a greater propensity for risk, so entrepreneurs must be aware of this reality, so they do not make imprudent decisions due to their state of mind. According to Dijkhuizen et al. (2018), wellbeing is not related to the performance of organizations, but this study showed a positive relationship between wellbeing and the evaluation of organizational performance.

6.6.2. Practical contributions

From a practical perspective, this study adds value to the understanding of how emotions influences the entrepreneurs, and offers valuable insights for entrepreneurs to comprehend the significance of their emotions and strive to understand themselves better, what may result in an improved performance. Additionally, this knowledge can enhance entrepreneurship training programs by delving into the relevance of emotions in entrepreneurs' decision-making and analysis process, such as fear and wellbeing. This comprehension can support aspiring entrepreneurs in effectively managing their emotions to elevate their performance. Knowledge about the link between emotions and the entrepreneurship can also guide mental health intervention programs to help entrepreneurs unleash their full potential.

6.7. Limitations and future research lines

As with all studies, this one has limitations. One limitation is the small sample size (n=212), which may not represent Portuguese entrepreneurs, despite responses being obtained from all over the country. It is worth noting that about 5% of the responses come from entrepreneurs in Brazil and Angola. It would be interesting to conduct similar studies with larger sample sizes in various countries, which would also allow for the effects of culture on responses to be examined.

Another limitation is that no objective evaluation of companies' performance would allow for comparing reality with entrepreneurs' evaluations and analysing the relationships with fear and wellbeing. Future investigations could advance studies that include more objective analyses of company performance to evaluate the accuracy of entrepreneurs' evaluations.

A third limitation concerns the analysis of the impact of wellbeing on the entrepreneur's propensity to take risks, which is not sufficient to fully understand how this relationship works. Further research could explore the underlying mechanisms of the relationships between wellbeing and risk propensity and consider potential implications for the decision-making and behaviour of entrepreneurs.

Another limitation is due to the incomplete understanding of the effects of fear, which is a complex construct inseparable from entrepreneurship and can favour EF, therefore deserving further in-depth study to understand how entrepreneurs can control the various fears they experience throughout their venture to avoid EF as much as possible. Fear always exists and can have positive and negative effects; the goal would be to understand the mechanisms that allow entrepreneurs to transform the negative effects of fear into positive ones. As well as to study how internal processes contribute to failure, as well as how levels of fear and wellbeing in the entrepreneur influence these levels in employees.

The relationship between the arts and wellbeing has been documented in previous research (Ryff, 2017). This is an aspect that deserves to be studied regarding entrepreneurs, and it would be valuable to explore how this relationship may impact entrepreneurs, through the emotions it creates, and to understand if involvement in the arts has positive effects on the wellbeing and job satisfaction of individuals in these groups, which could in turn contribute to increasing firms' productivity and reducing EF and EF consequences.

6.8. Conclusions

This study sheds light on the experiences and behaviours of entrepreneurs who have previously failed in their businesses. The fact that 57% of entrepreneurs who had created companies prior to their current one had experienced failure highlights the importance of understanding the impact of failure on entrepreneurial behaviour and decision-making.

The finding that entrepreneurs who have experienced failure have higher levels of fear than those who have never failed suggests that the experience of failure may have a lasting psychological impact. However, the fact that these entrepreneurs still went on to create new businesses suggests that fear did not prevent them from taking action.

The data also suggests that entrepreneurs who have experienced failure have a lower perception of risk than those who have not failed. This is consistent with previous research that has found that entrepreneurs tend to be overly optimistic about their businesses' prospects (Norton & Moore, 2006). This optimism may lead to a lack of risk mitigation, ultimately reducing performance (Fatma & Ezzeddine, 2019; Murmann & Sardana, 2013). In the same vein, Boermans and Willibrands (2017) determined that the assessment of risk perception is a significant concept in the analysis of a company's performance.

These insights can inform future research on the topic and may also be useful for entrepreneurs themselves, as they may help them better understand the potential impact of failure on their decision-making and performance.

CHAPTER 7 - General conclusions

7.1. Final considerations

Entrepreneurship is crucial for the development of societies and for the financial and social wellbeing of individuals (Ferreira et al., 2017). Understanding it is, therefore, essential to help optimize the entire entrepreneurial process. The entrepreneurial process is multifaceted, involving a multitude of dimensions, but always associated with the likelihood of failure. To fully understand entrepreneurship, it is, therefore, necessary to understand failure (Klimas et al., 2020), as well as the entrepreneur and the impact they experience from failure (Jenkins, 2022). This is especially true regarding microenterprises, as the entrepreneur is inseparable from their business in this type of company. Cardon et al. (2005) compare starting a company to the birth of a child to demonstrate the intimate connection between the entrepreneur and their business. Although more numerous than larger-sized companies, micro-firms are less studied, resulting in gaps in understanding their higher propensity for failure and their different challenges (Rodrigues et al., 2022). This justifies the choice of this type of companies to study.

With this objective in mind, this work was initiated with a systematic literature review (Essay #1) that allowed us to become familiar with the state-of-the-art on entrepreneurial failure and define a framework to describe it. Through this process, some gaps were identified, leading to the proposal of a research agenda. Specifically, three areas of study were identified regarding EF: causes, learning, and fear. It was noticed, for example, that the role of families in relation to EF is still not well studied. Learning is still not fully understood regarding EF, and it is unclear what entrepreneurs learn, why they learn it, and how it impacts re-entry. Several aspects of fear still need to be understood, namely, what triggers fear, its consequences, and its relationship with EF. Based on the research trends resulting from Essay #1, the causes, learning, and fear were studied, using Portuguese entrepreneurs who created microenterprises that failed as the basis of the study.

Essay #2 focused on the causes of the experienced failure and also attempted to understand the relationship between failure and families. A wide range of causes can lead to failure, some inherent to the entrepreneur, others to the company and the context in which it operates (Klimas et al., 2020). In Portugal, causes such as lack of payment by customers, including the government, and malfunctioning of justice are among the most serious, alongside the lack of knowledge and management and financial skills many entrepreneurs reveal. Families have a very significant impact on the consequences of failure, making them either less severe or, on the contrary, much more serious, as well as in recovery and re-entry.

In Essay #3, the objective was to understand what entrepreneurs learn before, during, and after the failure of their businesses and the impact of that learning. Learning is a relevant aspect of entrepreneurship (Lattacher & Wdowiak, 2020) and EF (Schou et al., 2022). The results show what entrepreneurs learn is very broad and relates to the business in its various aspects, as well as the entrepreneur themselves and the people they interact with, whether they be employees, partners, customers, or suppliers. Learning is more productive and intense during periods of successful business operations. Although learning also occurs during failure, the emotional situation of entrepreneurs almost always limits their ability to learn. After failure, when the situation begins to normalize, and recovery occurs, learning is greater again and primarily related to self-reflection and people skills, often leading to self-improvement through greater self-awareness. Re-entry may or may not occur, depending greatly on the financial consequences of failure and the families' opinions. So, learning does not interfere with re-entry, except in cases where it enables the entrepreneurs to realize that they do not have the knowledge or ability to run a business successfully. It was understood that the level of education interferes with the ability to learn, with entrepreneurs with higher education tending to learn more easily. But this does not prevent failure due to the wide range of causes that can lead to it. Fear always affects learning during failure, sometimes even preventing it from happening. It largely depends on the financial consequences that the failure causes.

Fear is an inseparable issue from entrepreneurship and failure, and Essay #4 focused on studying the fear felt by entrepreneurs and its effects. Fear is related to the possibility of something going wrong and arises from assessing threats in the environment, causing changes in brain function and organ function and manifesting in different ways (Kredlow et al., 2022). Results show that fear is a constant throughout the life of the business. It can be positive as a motivator, driving persistence and goal attainment in the face of challenges and adversity (Cacciotti & Hayton, 2015), which happens when the business runs smoothly without major problems. But it can also be negative, inhibiting behaviours as it increases vulnerability, anxiety, and reduces resilience and leadership capacity, making failure more likely (Ferreto et al., 2018). This happens when failure ceases to be a possibility and becomes a certainty. At this point, fear is very negative and can paralyze the entrepreneur, hindering their ability to analyse and make decisions, making family support crucial.

Entrepreneurs' emotions and their effects on businesses have been increasingly studied due to the importance they have shown to have on business performance (Su et al., 2020). With this in mind, in Essay #5, two emotions of entrepreneurs were quantitatively evaluated: fear and wellbeing. Risk is also inherent to entrepreneurship (Boermans & Willibrands, 2017); it was evaluated how entrepreneurs perceive risk and their propensity to take risks and how fear and wellbeing affect these two aspects. It was also evaluated whether fear and wellbeing affect the evaluation entrepreneurs make of their companies' failure probability and on the other hand, whether previous failures affect the fear and wellbeing they currently feel. Fear was found to

impact entrepreneurs' risk perception and evaluation, while wellbeing is positively related to the propensity for risk and negatively related to the evaluation that failure may occur. The negative relationship between risk perception and risk propensity was confirmed. It was also found that entrepreneurs with previous failures experience more fear, greater risk perception, and less risk propensity than those who have never failed companies. It is worth noting that the entrepreneurs who had failed previously re-entered the business despite this.

Thus, overall, it can be concluded that entrepreneurial failure depends on a large set of variables, internal and external to the entrepreneur and the company, and has consequences that can be very serious or less serious from a financial point of view. Figure 7.1. summarizes the main assumptions of this thesis.

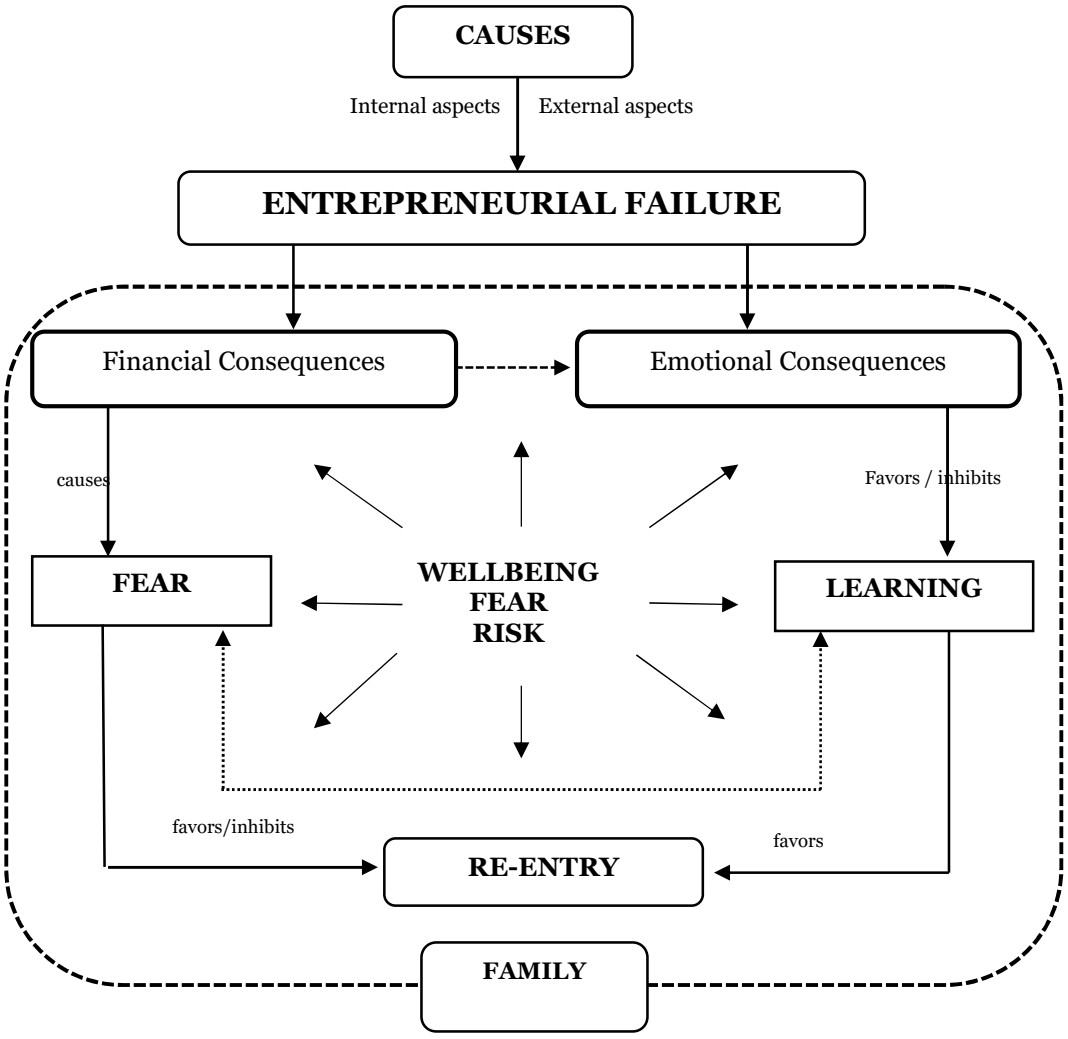


Figure 7.1 - Entrepreneurial failure framework

But regardless of financial severity, it is always an extremely painful situation that generates negative emotions and great pain being difficult to recover from. Recovery also depends on various factors, such as the characteristics of the entrepreneur. Family's behaviour greatly impacts failure's consequences, recovery and re-entry. Being micro-enterprises complicates the process because entrepreneurs are much more connected to the micro-enterprises they create than to larger enterprises. As they concentrate decision-making on the entrepreneur, who also simultaneously performs management and operations without separating roles, the decision-making process is complex and results from the context of their personal, social, and economic interactions. These businesses are informally managed based on the information entrepreneurs gather through their professional activities, interaction with clients, and observation of competitors, without formal planning, cost analysis, marketing activities, or human resources management.(Rodrigues et al., 2022). That makes emotional separation during failure more difficult. Therefore, anything that influences the entrepreneur in some way may affect micro-enterprises' failure. Thus, a very important and sometimes decisive factor is the role of families throughout the process, as well as fear and wellbeing, which influence how entrepreneurs evaluate and make decisions.

7.2. Contributions

This thesis has several implications for the theoretical and practical understanding of EF. The systematic literature review (Essay #1) explores the link between the social concepts of failure and re-entry, and how fear and learning serve as mechanisms to facilitate re-entry. Additionally, we elucidate the triggers that activate these mechanisms, including both psychological and economic factors, as well as how knowledge and recovery can prompt re-entry. In practical terms, we identify areas that have yet to be explored to provide valuable guidance for entrepreneurs to comprehend EF better, prepare for it, and ultimately mitigate the negative impacts of failure. Furthermore, policymakers can leverage this knowledge to develop initiatives that support entrepreneurship, ultimately reducing company mortality rates and increasing the likelihood of successful re-entry following an EF.

Considering micro-enterprises' weight on the economy and the lack of studies about them in Portugal, essays #2, #3 and #4 focused on entrepreneurs who created micro-enterprises that failed.

Essay #2 draws attention to the role of families in the still poorly studied topic of entrepreneurial failure. Theoretically, this study has enhanced our comprehension of EF in microenterprises in Portugal. It has underscored challenges faced by entrepreneurs, including limited knowledge, constraints arising from the small scale of these companies, inadequate access to timely support, and the inherent multitasking nature of entrepreneurs, impeding effective management and the allocation of sufficient time for all tasks. Moreover, socio-

economic circumstances surrounding entrepreneurs also contribute to subpar business performance. Notably, our research has shed light on the pivotal role played by families in supporting entrepreneurs during EF. This builds upon existing literature (e.g., Revilla et al., 2016; Yu et al., 2020) by demonstrating the substantial impact families can have on facilitating the complete recovery of entrepreneurs or, conversely, becoming an additional significant challenge that complicates the path to overcoming the situation. These findings propel the field of entrepreneurship forward by emphasizing the crucial influence of families on the recuperation of failed entrepreneurs, encompassing emotional and financial support as well as re-entry into alternative business ventures. From a managerial perspective, this study offers insights for adopting tailored approaches to microcompanies, which possess distinct characteristics necessitating unique considerations.

Given that microcompanies constitute approximately 96% of private sector firms, contribute to 40% of employment, and account for 20% of GDP in Portugal (PORDATA, 2023), it is crucial to distinguish them from larger SMEs and develop specific policies, incentives, and support mechanisms catering to their needs. For instance, establishing networks for knowledge exchange and partnerships among national companies can address challenges related to their scale, such as negotiating with larger suppliers, internationalization, and accessing essential support services. Creating an observatory to systematically analyse the performance of this sector and provide targeted assistance can be instrumental in addressing their specific difficulties. Addressing the issue of delayed payments, a prevalent problem with severe consequences for microcompanies, requires implementing effective payment policies, conducting regular inspections, and imposing substantial fines proportionate to company size for non-compliance (Duarte, 2022).

From a political perspective, this study highlights the necessity of reducing the tax burden and fiscal mechanisms that currently burden microenterprises. Additionally, there is an urgent need for a fair, efficient, and non-bureaucratic justice system with reasonable costs to address the challenges faced by small companies. Educational policies should prioritize training programs for entrepreneurs and business professionals, equipping them with the necessary skills to effectively manage their companies, enhance their technical knowledge, and foster self-awareness. Such training initiatives can be integrated into bachelor's and master's degree programs, cultivating comprehensive competencies that enable individuals to create and develop resilient companies capable of navigating the ever-changing business landscape. Lifelong learning opportunities are also crucial, particularly for older entrepreneurs with limited formal education, helping them adapt to the contemporary business environment that differs greatly from the one in which they initially established their companies. Therefore, higher education institutions should actively engage with microbusinesses, which often struggle to recognize the value of knowledge and actively seek it.

Essay #3 adds to the existing knowledge of the initial relationship between EF and learning (He et al., 2017). It highlights the strong affective attachment between entrepreneurs and their ventures and the significant learning during their operation. Learning is crucial for business success, as it allows for continuous updating of expectations (Amore et al., 2021). The response to failure is influenced by prior knowledge and training, as well as family support and reaction. By exploring the impact of EF recovery on learning, we contribute to the literature on EF (Boso et al., 2018), concluding that without recovery, learning is limited and tends to be related to attributing failure to external factors. We also found that time is a crucial factor in the recovery process, supporting Jeng and Hung's (2019) findings. Recovery time varies widely and is influenced by circumstances such as finding employment or having the support of family and friends. Recovery is not just about financial aspects but also emotional aspects that are often intertwined, creating a vicious cycle. This study offers valuable insights into the learning process of micro-entrepreneurs who experience EF, which occurs in three phases: before, during, and after the failure. Each phase presents unique characteristics that depend on several factors, including the entrepreneur's personal and socio-economic characteristics, cultural background, the causes of the failure, and their support system. The effects of EF on the physical and mental health of the entrepreneur can be severe, highlighting the need for public policies to support micro-enterprises and entrepreneurs.

The study suggests that training and knowledge can reduce the frequency and severity of EF consequences and aid in recovery. Therefore, it is crucial to provide micro-entrepreneurs with the necessary training to understand their company and surroundings, increase their resilience, and improve their assessment and decision-making capacity. Specific support should also be made available to help micro-enterprises identify potential problems that may lead to EF. From a practical perspective, this study provides micro-entrepreneurs with a better understanding of how and when they learn, allowing them to make better use of the knowledge they acquire throughout the entrepreneurial process. This can reduce the likelihood of future failures and the financial and emotional costs associated with them. Furthermore, experiencing EF can help entrepreneurs understand themselves better, enabling them to avoid future failures or cope with them more effectively.

Essay #4 focused on the FoF of entrepreneurs and their families and how they experience fear in real-life situations during the life of their companies (Cacciotti et al., 2016). This contrasts with other studies that have focused on fear in samples of university students (Kollmann et al., 2017; Ng & Jenkins, 2018). This research provides a deeper understanding of the impact of fear throughout the entrepreneurial process, showing how micro entrepreneurs can be supported under different circumstances. This study expands on the existing literature on FoF in several ways. First, it found that fear was strongly felt by the entrepreneur's family, but only in the failure and post-failure phases. This introduces family issues into the theme of fear associated with entrepreneurship and enhances the existing literature. Second, it was found that the

causes, expression, intensity, and consequences of fear were different in each phase of the entrepreneurial process. This provides a deeper understanding of the impact of fear throughout the process and how micro entrepreneurs can be supported in each stage.

Finally, it contributes to the literature by bringing up family issues, which have not been studied in depth. Families are important stakeholders of entrepreneurs, providing both emotional and financial support, and impacting their decisions. This study provides important managerial and policy implications for entrepreneurship. On the managerial front, findings highlight the critical role of family in the entrepreneurial process and the need for entrepreneurs to develop strategies to manage fear and cope with the emotional challenges that arise during the final phase of the company. This study also identifies the key factors that contribute to the occurrence of EF and suggests ways for entrepreneurs to minimize its consequences. From a policy perspective, it emphasizes the importance of a supportive business ecosystem for entrepreneurial activity. Specifically, results suggest that high tax burdens and inadequate legal systems may hinder entrepreneurial success and increase the likelihood of EF. To promote successful entrepreneurship, policymakers should focus on improving institutional support for micro entrepreneurs and designing payment policies that align with the unique needs of this segment. This study offers practical recommendations for policymakers to facilitate the entrance and re-entrance of entrepreneurs into the market, thereby promoting economic growth and development.

Essay #5 makes significant contributions to the existing literature. Firstly, fear was assessed using a scale developed by Cacciotti et al. (2020) that enables a comprehensive evaluation of fear among entrepreneurs, unlike previous studies that used inadequate scales which hindered the relationship between fear and entrepreneurship, revealing the importance of understanding the role of fear in the entrepreneurial process. Secondly, this study evaluated entrepreneurs' wellbeing using a more comprehensive scale that assessed various dimensions of wellbeing, including environmental mastery, personal growth, positive relations with others, purpose in life, and self-acceptance, unlike previous studies that only focused on job satisfaction, general satisfaction, and work engagement (Dijkhuizen et al., 2018). These emotions were evaluated during the entrepreneurial process, and in cases of previous failures, after the failure, which provides a dynamic view of the emotions of entrepreneurs.

This study shows that entrepreneurs with previous failures have more fear than others, and fear and wellbeing impact their evaluation of their firms. This essay has practical implications for entrepreneurs seeking to enhance their performance. By understanding the importance of their emotions, they can better understand themselves, which may improve performance. Moreover, this knowledge can be used to improve entrepreneurship training programs by examining the role of emotions in decision-making and analysis, including fear and wellbeing. This

understanding can help aspiring entrepreneurs manage their emotions to boost their performance effectively.

7.3. Limitations and future research lines

This study presents some limitations in all conducted essays.

One of the limitations of Essay #1 was deciding which manuscripts to include, and we relied solely on reading the abstracts and discussion/conclusion sections. Although this is a common practice in SLR (Klimas et al., 2020; Korber & McNaughton, 2018), we acknowledge that we may have overlooked important articles that could have contributed to our theoretical framework. Furthermore, we limited our search to top-tier academic journals, which is also a typical approach (Kücher & Feldbauer-Durstmüller, 2019), but this may have resulted in excluding relevant manuscripts. Despite the limitations of our study, we have made progress in shedding light on the "re-entry black-box" by examining the antecedents, mechanisms, and triggers of EF. Identifying distinct clusters of failure highlights the need for further research in this emerging field. While factors such as demographics, economic development, culture, tax policy, institutional complexity, and the role of the government have been shown to influence failure (Adobor, 2020; Anis, 2018; Cardon et al., 2011; Eberhart et al., 2017; García-Ramos et al., 2017), longitudinal studies on business failure, resilience, and re-entry are lacking but essential to fully understand the evolution of EF, as well as the families impact on entrepreneurs and EF. It is also important to deepen knowledge to explore the learning processes of entrepreneurs, how learning affects re-entry into entrepreneurship, and to understand how entrepreneurs apply their learning outputs in practice. What's the reason behind entrepreneurs experiencing fear, how does fear affect entrepreneurship, can fear to lead to better outcomes in the face of failure and if so, in what ways and why? These are some questions that future studies may try to answer.

One limitation of Essay #2 was its basis in the experience of a limited number of entrepreneurs. This problem is due to the difficulty of finding entrepreneurs willing to talk openly about their failures to strangers. Access to family members of entrepreneurs was also limited. Another limitation was not studying the effects of company size and the entrepreneurs' characteristics on internal and external processes. Essay 2 showed that it is still necessary to understand better, using larger samples, the impact of families on entrepreneurs who fail and the impact of failure on families. In future studies, it would be beneficial to expand the sample size to include not only family members of entrepreneurs but also staff members and their families to gain a more comprehensive perspective on the issues. Additionally, further research could examine how the

small scale of these companies affects their internal and external processes, including procurement, ability to obtain loans, internationalization, and digitalization. It is worth noting that a crucial issue that requires further exploration is the absence of databases on Portuguese micro-companies, particularly those that have failed, which hinders the collection of reliable data on several aspects that warrant more in-depth investigation.

A potential limitation of Essay #3 is the focus on micro-companies located only in northern and central Portugal, which may limit the generalizability of the findings to other regions or countries with different cultural and economic contexts. Additionally, the small number of entrepreneurs who founded new companies following failure may limit the ability to draw more robust conclusions about the effectiveness of learning from failure. It would be interesting to conduct further research specifically focused on these types of entrepreneurs to better understand the impact of their experiences on future performance. While this study includes entrepreneurs with diverse levels of education, it may be beneficial to explore further the relationship between education and entrepreneurial success, including potential policy implications for supporting entrepreneurship training programs. Another potential area for future research could be measuring the economic and social impact of micro-company failure, including the cost to public health and other areas, which could inform support mechanisms and policies to reduce the likelihood of small business failure.

One limitation of Essay #4 is the small sample number of micro-companies involved in the study and located only in some regions (North and Centre) of Portugal. Despite some studies on different aspects of fear in entrepreneurship, such as the FoF, the effect of other entrepreneurs on fear, the consequences of fear, and the reconceptualization of fear, the phenomenon of fear in entrepreneurship remains poorly understood. More research is needed to use this knowledge to reduce fear levels and promote entrepreneurship development. Additionally, it would be interesting to investigate why entrepreneurs may not recognize their fear during the time of failure and to explore the relationship between pain and fear, including how fear contributes to pain and vice versa and how personality traits are associated with these feelings. Furthermore, Cacciotti et al. (2020) have developed a fear measurement scale that could be used to assess the fear experienced by entrepreneurs and link it to their characteristics, such as happiness and risk-taking.

In Essay #5, the sample size (n=212) used, which may not represent Portuguese entrepreneurs, is a limitation, despite responses being obtained from all over the country. It is worth noting that about 5% of the responses come from entrepreneurs in Brazil and Angola. It would be interesting to conduct similar studies with larger sample sizes in various countries, which would also allow for the effects of culture on responses to be examined. Another limitation is that no objective evaluation of companies' performance would allow for comparing reality with entrepreneurs' evaluations and analysing the relationships between fear and wellbeing. Future

investigations could advance studies that include more objective analyses of company performance to evaluate the accuracy of entrepreneurs' evaluations. A third limitation concerns the analysis of the impact of wellbeing on the entrepreneur's propensity to take risks, which is insufficient to understand how this relationship works fully.

Further research could explore the underlying mechanisms of the relationships between wellbeing and risk propensity and consider potential implications for the decision-making and behaviour of entrepreneurs. Another limitation is the incomplete understanding of the effects of fear, which is a complex construct inseparable from entrepreneurship and can favour EF, therefore deserving further in-depth study to understand how entrepreneurs can control the various fears they experience throughout their venture to avoid EF as much possible. Fear always exists and can have positive and negative effects, and the goal would be to understand the mechanisms that allow entrepreneurs to transform the negative effects of fear into positive ones. As well as to study how internal processes contribute to failure and how levels of fear and wellbeing in the entrepreneur influence these levels in employees. The relationship between the arts and wellbeing has been documented in previous research (Ryff, 2017). This is an aspect that deserves to be studied regarding entrepreneurs, and it would be valuable to explore how this relationship may impact entrepreneurs, through the emotions it creates and to understand if involvement in the arts has positive effects on the wellbeing and job satisfaction of individuals in these groups, which could in turn contribute to increasing firms' productivity and reducing EF and EF consequences.

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Appendices

Appendix 2A

Journals ranked 3 or higher according to the Academic Journal Guide 2021 (AJG):

- *Academy of Management Journal
- Academy of Management Learning and Education
- *Academy of Management Perspectives
- *Academy of Management Review
- Accounting and Business Research
- Accounting Horizons
- Accounting Review
- Accounting, Organizations and Society
- *Administrative Science Quarterly
- American Economic Review
- *Asia Pacific Journal of Management
- *British Journal of Management
- Business Ethics Quarterly
- Business History
- Business History Review
- Business Strategy and the Environment
- Cambridge Journal of Economics
- Contemporary Accounting Research
- Corporate Governance: An International Review
- Decision Sciences
- Decision Support Systems
- Development and Change
- Economic History Review
- Economic Inquiry
- Economic Journal
- Enterprise and Society
- Entrepreneurship and Regional Development
- *Entrepreneurship Theory and Practice
- Environment and Planning A
- Environment and Planning C: Government and Policy
- European Economic Review
- European Financial Management
- European Journal of Finance
- European Journal of Marketing
- European Journal of Operational Research
- Financial Management
- *Harvard Business Review
- IEEE Transactions on Engineering Management
- Industrial and Corporate Change
- Industrial Marketing Management
- International Business Review
- International Economic Review
- International Journal of Contemporary Hospitality Management

- International Journal of Entrepreneurial Behaviour and Research
- International Journal of Finance and Economics
- International Journal of Forecasting
- International Journal of Human Resource Management
- International Journal of Industrial Organization
- International Journal of Production Economics
- International Journal of Production Research
- International Journal of technology management
- International Review of Financial Analysis
- Journal of Accounting and Economics
- Journal of Accounting Research
- Journal of Banking and Finance
- Journal of Business Ethics
- Journal of Business Finance and Accounting
- *Journal of Business Research
- *Journal of Business Venturing
- Journal of Comparative Economics
- Journal of Corporate Finance
- Journal of Economic Behavior and Organization
- Journal of Economic Dynamics and Control
- Journal of Economic Geography
- Journal of Economic Perspectives
- Journal of Financial and Quantitative Analysis
- Journal of Financial Economics
- Journal of Financial Intermediation
- Journal of Financial Services Research
- Journal of Financial Stability
- Journal of Information Technology
- Journal of International Business Studies
- Journal of International Economics
- Journal of Law and Economics
- *Journal of Management
- *Journal of Management Studies
- Journal of Marketing
- Journal of Marketing Research
- Journal of Monetary Economics
- Journal of Money, Credit and Banking
- Journal of Operations Management
- Journal of Product Innovation Management
- Journal of Public Economics
- Journal of Risk and Insurance
- Journal of Service Research
- *Journal of Small Business Management
- Journal of Technology Transfer
- Journal of the Academy of Marketing Science
- Journal of the Operational Research Society
- Long Range Planning
- *Management Science

- Managerial finance
- Marketing Science
- MIS Quarterly: Management Information Systems
- MIT Sloan Management Review
- *Organization Science
- Organization Studies
- Production and Operations Management
- RAND Journal of Economics
- Regional Studies
- Research Policy
- Review of Economic Studies
- Review of Economics and Statistics
- Review of Finance
- Review of Financial Studies
- *Small Business Economics
- Social Science and Medicine
- *Strategic Entrepreneurship Journal
- *Strategic Management Journal
- Technological Forecasting and Social Change
- Technovation
- Tourism Management
- Urban Studies
- World Development

The journals marked with * are below and are those that contain the articles that are part of the three clusters:

- Academy of Management Journal
- Academy of Management Perspectives
- Academy of Management Review
- Administrative Science Quarterly
- Asia Pacific Journal of Management
- British Journal of Management
- Entrepreneurship Theory and Practice
- Harvard Business Review
- Journal of Business Research
- Journal of Business Venturing
- Journal of Management
- Journal of Management Studies
- Journal of Small Business Management
- Management Science
- Organization Science
- Small Business Economics
- Strategic Entrepreneurship Journal
- Strategic Management Journal

Appendix 2B

	#	Year	Author	Essay	Methodology	Conclusions	Future research
CLUSTER 1	1	1996	Christensen, C. M., Bower, J. L.	Customer power, strategic investment, and the failure of leading firms	Quantitative	By understanding the processes that link customer needs, drive, and resource allocation, managers can align efforts to commercialize a disruptive technology (implying a change in strategy) with resource dependency theory.	Explore the external validity and usefulness of the model through studies of sustaining and disruptive technological change in other industries. Develop clearer models for managerial action and strategic change in the face of disruptive technology changes that are consistent with the principles of resource dependence and the processes of resource allocation.
	2	1996	Moulton, W. N., Thomas, H., Pruett, M.	Business failure pathways: Environmental stress and organizational response	Quantitative	Four paths to failure were identified: market deterioration, poor adaptation to the market, struggle for market share, and loss of control	No suggestions.
	3	1996	Watson, J., Everett, J.	Do small businesses have high failure rates? Evidence from Australian retailers	Quantitative	This study seeks to clarify a number of apparent misconceptions concerning small business failure in the hope that prospective entrepreneurs may be more reliably informed about the risks involved.	Explore the relationship between the definition of failure and others business attributes, such as size, industry classification, and business form. Analyse the relationship between the failure rate and the amount and type of counselling received.
	4	1998	Everett, J., Watson, J.	Small business failure and external risk factors	Quantitative	The results suggest that economic factors appear to be associated with between 30% and 50% of small business failures, depending on the definition of failure used. This study indicates that failure rates for small businesses located in managed shopping centres vary significantly with both age and time (period), indicating the presence of significant levels of both unsystematic and systematic risk.	It would be of considerable interest to compare the systematic and unsystematic risk levels for small businesses located within shopping centres and those located outside shopping centres, but the data necessary to do this are not available.
	5	1999	McGrath, R. G.	Falling forward: Real options reasoning and entrepreneurial failure	Conceptual	This study uses real options reasoning to develop a more balanced perspective on the role of entrepreneurial failure in wealth creation, which emphasizes managing uncertainty by pursuing high-variance outcomes but investing only if conditions are favourable. This can increase profit potential while containing costs. It also offers propositions that suggest how gains from entrepreneurship may be maximized and losses mitigated.	Investigate how interfering with the so-called natural processes by which failures occur has either beneficial or detrimental effects.
	6	2000	Almus, M.	The shadow of death: An empirical analysis of the pre-exit	Quantitative	Performance deteriorates a few years before the company closes.	No suggestions.

				performance of young German firms			
	7	2001	Perry, S. C.	The relationship between written business plans and the failure of small businesses in the U.S.	Quantitative	The main conclusion was that very little formal planning goes on in U.S. small businesses; however, non-failed firms do more planning than similar failed firms did prior to failure.	Future research on the relationship between planning and firm failure or performance might be advantageously focused on firms with at least five employees; and one might not expect to find more sophisticated planning in firms with fewer than 15–20 employees.
	8	2003	Holmberg, S. R., Morgan, K. B.	Franchise turnover and failure: - New research and perspectives	Quantitative	Using a broader concept of franchisee failure, a longitudinal study is carried out using real data on franchisee failure.	Franchisee turnover and franchisee failure are critical areas that merit further study and analysis.
	9	2003	Miller, D., Steier, L., Le Breton-Miller, I.	Lost in time: Intergenerational succession, change, and failure in family business	Qualitative	This study finds at the core of failing successions of family businesses is an inappropriate relationship between an organization's past and present. There is hidebound attachment to the past, wholesale rejection of it, or an incongruous blending of past and present. We call these common patterns conservative, rebellious, and wavering; each is characterized by distinctive tendencies in strategy, organization, and governance.	Because this study was based mostly on father- to- son successions, it would be worthwhile for subsequent researchers to expand the research to include a broader sample of succession types – father-to-daughter, to-brothers, to-cousins, etc. Such a more-encompassing project could be used to test many of our hypotheses. Another worthwhile avenue might be to examine dysfunctional successions in nonfamily businesses using the variables and symptoms that the authors have identified. Although the findings from this qualitative study are suggestive, they require significant follow-up work to establish their range, reliability, and validity.
CLUSTER 1	10	2003	Thornhill, S., Amit, R.	Learning about failure: Bankruptcy, firm age, and the resource-based view.	Quantitative	Failure among younger firms may be attributable to deficiencies in managerial knowledge and financial management abilities. Failure among older firms, on the other hand, may be attributable to an inability to adapt to environmental change. The quality of management makes a difference for a population of failures.	Future studies may include: (1) broadening the scope of exits to include modes of discontinuance other than bankruptcy; (2) extending the range of industries to encompass regulated and unregulated competitive dynamics;, and (3) contrasting young and old failures with a comparable population of young and old survivors.
	11	2003	Watson, J.	Failure rates for female-controlled businesses: Are they any different?	Quantitative	The aim was to determine whether female-owned businesses exhibit higher failure rates than male-owned businesses and, if so, whether this finding persists after controlling for industry differences. The results suggest that while female-owned businesses do have higher failure rates compared to male-owned businesses, the difference is not significant after controlling for the effects of industry type.	To examine the reasons why females are relatively overrepresented in certain industries and whether this pattern is changing over time: "the assessment of business performance for women-owned businesses should include not only financial measures, but should incorporate other measures such as employee satisfaction, social contributions, goal achievement, and effectiveness".

	12	2005	Knott, A. M., Posen, H. E.	Is failure good?	Conceptual	This study characterizes three potential mechanisms through which excess entry affects market structure, firm behavior, and efficiency, then tests them in the banking industry. Results indicate that failed firms generate externalities that significantly and substantially reduce industry cost. On average, these benefits exceed the private costs of the entrants. Thus, failure appears to be good for the economy.	No suggestions.
	13	2006	Carter, R., Van Auken, H	Small firm bankruptcy	Quantitative	This study compares the demographics and potential problem situations of 57 bankrupt firms to 55 nonbankrupt firms in an attempt to identify root causes of bankruptcy. Results indicate that the most serious problems of bankrupt firms can be condensed into three categories: lack of knowledge, lack of access to debt, and economic climate. Bankrupt firms also appear to be older, more likely to be in the retail industry, and more likely to be organized as proprietorships or partnerships than nonbankrupt firms. They are also less likely to use the internet in their business operations than the nonbankrupt firms. One surprising finding is that while both subsamples found knowledge to be important, the nonbankrupt sample found it significantly more important than the bankrupt firms.	Examine the generality of the results by examining bankruptcy in other regions of the country and providing comparative results. A longitudinal study could provide evidence in the changing patterns and variables impacting bankruptcy over time. Longitudinal studies by region of the world could be used to develop an understanding of the relationship between, for example, economic conditions, economic development policies, and firm survival.
	14	2006	Cressy, R. C.	Why do most firms die young?	Conceptual	This study tries to explain why most firms die in the first few years of trading. A risk-averse entrepreneur with initial capital endowment faces a Brownian motion in net worth over time. To balance return (profits growth) and risk (variance of profits), she adopts a portfolio strategy, choosing market positioning to achieve an optimal combination of risk and return at each instant, given her financial and human capital endowments and attitude towards risk. Failure occurs when the firm's value falls below the opportunity cost of staying in business. The resulting distribution of failure is Inverse Gaussian, implying, for specific parameter values, a positively skewed failure curve of the type observed in practice. In addition, the model presents a novel measure of management human capital (MHC) which implies that high MHC entrepreneurs will have higher absolute and marginal profits growth than low MHC entrepreneurs at given levels of risk.	No suggestions.

CLUSTER 1	15	2007	Harada, N.	Which firms exit and why? An analysis of small firm exits in Japan	Quantitative	It is shown that small firm exits occur not just because of economic difficulties in their business ("economic-forced exit") but also for various other reasons ("noneconomic-forced exit"). The results indicate the potential importance of distinguishing these two classes of exits in exit studies.	It is becoming increasingly important in such situations to understand the variety of exits, in terms of fostering proper policy debates and fair potential entrepreneurial opportunities for the next generation, as well as for academic interest.
	16	2008	Michael, S. C., Combs, A. G.	Entrepreneurial failure: The case of franchisees	Quantitative	This study extends agency and resource-based logic to explain how established franchisors affect franchisee failure. Results show that franchisors enhance franchisee survival by: (1) adopting policies that have tangential benefits for franchisees (even if they restrict franchisees' behavior); (2) maintaining sufficient incentive for franchisees to remain engaged; and (3) investing in strategic resources.	No suggestions.
	17	2008	Wiesenfeld, B. M., Wurthmann, K. A., Hambrick, D. C.	The stigmatization and devaluation of elites associated with corporate failures: A process model	Conceptual	This study develops a model to explain the process by which corporate failure leads to professional devaluation of individual elites. We invision that corporate failure evokes a stigmatization process, in which society's arbiters engage in constituent- minded sense-making to interpret the conditions surrounding the failure, including the characteristics of the individual elite, and arrive at judgments about the person's blameworthiness.	Investigate the temporal aspects of stigma. Future research on the influence of national culture on stigmatization and devaluation.
	18	2009	Van Auken, H., Kaufmann, J., Herrmann, P.	An empirical analysis of the relationship between capital acquisition and bankruptcy laws	Quantitative	The costs of failure are influenced by the entrepreneur's decisions regarding capital acquisitions as well as by the laws that regulate bankruptcy, which do not influence the former.	Future research could examine the generalizability of the results by examining bankruptcy in other regions of the country so as to provide comparative results. In addition, the data were collected at a single point in time. A longitudinal study could provide evidence on the changing patterns and variables impacting bankruptcy over time. Longitudinal studies by region of the world could be used to develop an understanding of relationships between, for example, economic conditions, economic development policies, and firm survival. Finally, future studies could also evaluate the results relative to differences in the proportions of start-up debt versus equity.

	19	2010	Wennberg, K., Wiklund, J., DeTienne, D. R., & Cardon, M. S.	Reconceptualizing entrepreneurial exit: Divergent exit routes and their drivers	Quantitative	This study develops a conceptual model of entrepreneurial exit which includes exit through liquidation and firm sale for both firms in financial distress and firms performing well. This represents four distinct exit routes. In developing the model, the authors complement the prevailing theoretical framework of exit as a utility-maximizing problem among entrepreneurs with prospect theory and its recent applications in liquidation of investment decisions. It was found that entrepreneurs exit from both firms in financial distress and firms performing well.	Future research should be careful to disentangle exit of entrepreneurs from their firm versus exit of the firm itself. Such work should consider both the type of exit as well as the human capital and behavioral aspects of the entrepreneur that lead to such exits.
	20	2011	Pal, J., Medway, D., Byrom, J.	Deconstructing the notion of blame in corporate failure	Qualitative	This paper addresses the notion of blame in corporate failure. Findings reveal that, despite warning signs from various key performance indicators and external reviews, the company's board failed to act appropriately. A series of bad strategic decisions contributed to the company's failure. In line with theories of blame attribution, through their (in)actions, the board's negligence played a major role in the firm's demise.	No suggestions.
CLUSTER 1	21	2011	Wiklund, J., Shepherd, D. A.	Where to from here? EO-as-experimentation, failure, and distribution of outcomes.	Quantitative	This article examines two potential causal mechanisms underlying the observed entrepreneurial orientation (EO)–performance relationship. The authors find empirical support for the notion that EO might be a performance–variance-enhancing strategic orientation rather than a performance–mean-enhancing orientation. With such a conceptualization, performance variance (along with, or instead of, mean performance) and failure take centre stage.	Future research can make important contributions to the strategy and entrepreneurship literatures through multiple case studies that use EO to theoretically sample firms from which to build cases or use EO as the basis to compare and contrast firms to build theories of experimentation and exploration.
	22	2012	Balcaen et al.	Firm exit after distress: Differentiating between bankruptcy, voluntary liquidation and M&A	Quantitative	Bankruptcy and voluntary liquidation are fundamentally different exit routes. Bankruptcy, voluntary liquidation and M&A are fundamentally distinct exit routes for distressed firms, driven by different firm level characteristics and following a two-stage process. Voluntary liquidations are prevalent among distressed firms.	Examine how firms manage cash, leverage, and secured debt levels from a first sign of distress to exit, and how these dynamics affect the exit type differently. Including industry factors and macro-economic factors in a further study might hence also prove fruitful.

	23	2012	Hogarth, R. M., Karelaia, N.	Entrepreneurial success and failure: Confidence and fallible judgment	Quantitative	Excess entry – or the high failure rate of market entry decisions – is often attributed to overconfidence exhibited by entrepreneurs, whereas excess entry while an inevitable consequence of imperfect judgment, does not necessarily imply overconfidence. As a group, individuals who decide to start a new business exhibit more confidence than those who do not, and successful entrants are less confident than failures.	No suggestions.
	24	2012	Dou, J., Li, S.	The succession process in Chinese family firms: A *guanxi* perspective	Qualitative	The purpose of this paper is to contribute to the understanding of the complexity and dynamics of the succession process by examining the role of *guanxi*. The results of this research indicate that: (1) the succession process of entrepreneurs' *guanxi* networks can be divided into four representative phases, namely, preheating, triggering, readjusting, and reconstructing; and (2) each phase requires performing some characteristic tasks.	Identifying harmful and dysfunctional *guanxi* parties, as well as useful and valuable ones, would also be a useful direction for future research. The intergenerational transfers of core elements that need to be continued, including physical and human capital, are not isolated but interact with each other.
	25	2014	Amankwah-Amoah, J.	Old habits die hard: A tale of two failed companies and unwanted inheritance	Qualitative	This article examines whether state-owned enterprises inherit the problems and stigmas resulting from the actions and inactions of their predecessor firms. In this direction, the authors advance two main theories of inherited background: the "wanted inheritance" and "sins of the father" perspective.	Future research would be to examine this phenomenon using a larger sample across multiple industries to assess the generalizability of the findings. Examine the extent to which sugar coating of customers' feedback accelerates the process of decline in state-owned organizations.
	26	2015	Justo, R., DeTienne, D. R., Sieger, P.	Failure or voluntary exit? Reassessing the female underperformance hypothesis	Quantitative	The authors re-evaluate the female underperformance hypothesis by challenging the assumption that female-owned ventures are more likely to fail. Instead of equating exit with failure, they draw on exit literature and feminist theories to argue that female entrepreneurs are actually more likely than males to exit voluntarily. The authors argue for further gender differences by using an even more fine-grained conceptualization of entrepreneurial exit (failure, exit for personal reasons, and exit for other professional/financial opportunities).	Future research could explore the gender differences between those two types of voluntary exit in more detail.
	27	2016	Artinger, S., Powell, T. C.	Entrepreneurial failure: Statistical and psychological explanations	Quantitative	Entrepreneurial markets attract more excess entry than other markets. Overconfidence plays a significant role in excess market entry. Men are more prone to overconfidence and over- input.	No suggestions.
CLUSTER 1	28	2016	Amankwah-Amoah, J.	An integrative process model of organisational failure	SLR	Most studies focus on the causes of failure, although there are some that address the consequences, namely the effect of contagion and competition and the opportunity generated for companies that do not close. The findings suggest the need for firms to proactively scan their environment in order to identify early	Explore whether stigmatization after business failure fades away with the passage of time. Such analysis could provide further insight into the long-term effects of business failure as well as shedding light on how both positive and negative attributions manifest after failure. Examine how organizations can benefit from others'

					warning signals of decline to help avert collapse.	failure without exposing themselves to contagion effects.
	29	2017	Gottschalk, S., Greene, F. J., Müller, B.	The impact of habitual entrepreneurial experience on new firm closure outcomes	Quantitative	This study argues that it is difficult for habitual entrepreneurs to use their experiential knowledge to develop a more viable new firm than novice entrepreneurs. It is difficult for habituals to successfully apply their experiential knowledge in another firm so that the new firm is more viable than that of a novice entrepreneur. Using large-scale German panel data that track individual firm founders, the authors find that both habitual and novice founders have similar firm closure speeds and both are prone to similar bankruptcy outcomes. Such findings are important in challenging the view that habitual experience necessarily leads to superior firm closure outcomes.	Future research could fruitfully follow this approach by examining, while controlling for survivorship bias, whether habitual experience enhances firm performance.
	30	2017	Amankwah-Amoah, J.; Antwi-Agyei, I.; Zhang, H.	Integrating the dark side of competition into explanations of business failures: Evidence from a developing economy	Qualitative	Using insights of serial entrepreneurs in a developing economy, the authors articulate the mechanisms through which adverse rumors and misinformation perpetrated by rivals' firms undermine small businesses and lead to decline and eventual collapse.	Future research should seek to obtain more samples from organizations that have experienced interfirm backstabbing over a period of time and survived, and also seek more than one informant per firm.
	31	2017	Eberhart, R. N., Eesley, C. E., & Eisenhardt, K. M.	Failure is an option: Institutional change, entrepreneurial risk, and new firm growth	Quantitative	The paper concludes that lowering barriers to failure via lenient bankruptcy laws encourages more capable – and not just more –entrepreneurs to start firms.	Future work may explore these issues further, as well as whether such institutional effects are particularly influential for certain industries, strategies, and founding teams.
	32	2018	Arcuri, G., Levratto, N.	Early stage SME bankruptcy: Does the local banking market matter?	Quantitative	This paper investigates the role of local context, with regard to the effect of local financial development and banking concentration, on a firm's probability of bankruptcy at the postcreation stage. We find that a higher level of financial development in a province decreases the likelihood of corporate bankruptcy. Local financial development is particularly significant for small firms, which traditionally suffer from great difficulty in accessing credit, whereas local banking concentration reduces the probability of bankruptcy for medium-sized firms.	Investigate the relative importance of local features in a study that includes a sample of firms operating in different countries, to understand the level of heterogeneity in insolvency and its determinants across European countries and regions.

	33	2018	Eklund, J., Levratto, N., Ramello, G. B.	Entrepreneurship and failure: Two sides of the same coin?	Conceptual	Managing insolvency and failure is also a means to strengthening competitiveness and growth, making it possible to stimulate the market in reshuffling skills and resources into new activities.	No suggestions.
CLUSTER 1	34	2018	Karabag, S. F.	Factors impacting firm failure and technological development: A study of three emerging economy firms	Qualitative	Several studies examine the successful globalization and technological development of emerging economy firms. However, few discuss why some other emerging-economy firms do not develop sufficient technological capabilities and, thus, fail in domestic and global markets. Consequently, the understanding of emerging-economy firm diversity is limited. By analyzing the failure of three firms in two major industries in Turkey, this study identifies a complex set of factors contributing to this outcome. These factors include political risk, macroeconomic regime, national technology policies, and industry dynamics, as well as firm-related factors such as ownership, strategic intent, and the approach to, and current stage of, technology capability development.	Future studies should aim to deepen our understanding by analyzing a larger sample of firms from other industries and emerging economies. Other studies could also explore whether different industry-related factors affect firm failure. Future studies could quantitatively test whether these mechanisms are moderated by other external and internal factors.
	35	2018	Martinez, M. G., Zouaghi, F., Garcia Marco, T., Robinson, C.	What drives business failure? Exploring the role of internal and external knowledge capabilities during the Global Financial Crisis	Quantitative	This paper contributes to the debate on the determinants of business failure and helps to clarify the effect of internal innovation efforts and external knowledge sources in a hazard model of firm exit. Using panel data of manufacturing and service firms in Spain for the period 2009–15, the findings show that the financial crisis increased the probability of business failure; however, firms with high levels of R&D human capital are better positioned to survive under uncertain financial conditions.	A more diverse sample of firms may generate different results. This dataset is specific to firms in Spain, so evidence from other countries on the factors influencing firm failure might help to develop more general empirical evidence in future research.
	36	2019	Kücher, A., Feldbauer-Durstmüller, B.	Organizational failure and decline: A bibliometric study of the scientific frontend	LSR	Unfortunately, this research field (organizational failure and decline) suffers from strong fragmentation and various separate streams of scholarly interest. The aim of this study is to structure existing research with the help of bibliometric methods and present developments in research between 1982 and 2016. This can essentially contribute to a better understanding of the ongoing maturation of this specific research field. Concretely, the authors perform a cocitation analysis and visualize existing subclusters of organizational failure research.	Integration of the deterministic, voluntaristic, and emotive perspectives would be promising. To investigate how emotional outcomes of failed entrepreneurs differ between the reasons that led to entrepreneurial failure, or how the individual level of fear of failure of entrepreneurs relates to the probability of failing due to internal or external reasons in light of the escalation of commitment theory. An examination of how attributional bias is potentially affected by emotions of failed entrepreneurs, their perceived levels of fear of failure, or reasons why or how they have quit their businesses, either voluntarily or involuntarily. One may also put the entrepreneur at the center of the research regarding causes and processes; in other words, questioning who are the failing entrepreneurs, what are

						their experiences, attitudes, social ties, or knowledge, and how do these characteristics influence the way their businesses failed or why they failed. Address the question of how stigmatization of failed entrepreneurs affects learning from their failures and therefore future entrepreneurial activities.
	37	2019	Habersang, S., Küberling-Jost, J., Reihlen, M., Seckler, C.	A process perspective on organizational failure: A qualitative meta-analysis	Qualitative	This paper examines failure processes using a qualitative meta-analysis research design. The qualitative meta-analysis allows analysis and synthesis of the wealth of previously published single-case studies in order to develop process models of organizational failure. The most salient finding of the analysis is that failure processes converge around four distinct process archetypes, named here as imperialist, laggard, villain, and politicized.	The authors suggest that future research should focus on three areas. First, from a theoretical perspective, it would be useful to reflect the new archetypes with the respective debates in the management studies literature. Second, from an empirical perspective, they would like to encourage studies that clearly deviate from their sample by targeting countries, industries, or firm types that are not well represented in their sample. Third, from a methodological perspective, they believe that qualitative meta-analysis is a very useful and innovative approach to synthesizing a body of qualitative case study data. However, they recognize that distinctive philosophical underpinnings inspire different practices in our profession, and engaging in a more in-depth debate, particularly about different powerful approaches to 37 qualitative meta-analysis, and the ways in which they can be improved to acquire cumulative knowledge about particular phenomena, may be overdue.
CLUSTER 1	38	2019	Muñoz-Izquierdo, N. Segovia-Vargas, M. J., Camacho-Miñano, M.-del-M., Pascual-Ezama, D.	Explaining the causes of business failure using audit report disclosures	Quantitative	This paper examines the ability of audit report disclosures to explain the causes of business failure. Despite incremental interest in organizational failure, much of the existing literature has used accounting ratios to foresee why firms fail. The authors hypothesize that the audit report can also be employed for this purpose because it provides information regarding any material uncertainty relating to events that may warn users about possible causes of business default.	In a future line of research, new automatic techniques for qualitative data should be used to analyse the audit reports of companies having financial difficulties. Additionally, this study could be expanded to other regulatory contexts to compare the ability to identify causes of business failure reflected in Spanish audit reports with that of other audit reports.
	39	2019	Tingbani, I., Okafor, G., Tauringana, V., Zalata, A. M.	Terrorism and country-level global business failure	Quantitative	The results of the fixed-effects estimations show that terrorism has a negative and significant relationship with business failure for the full sample. When the sample is divided into developed, developing, and fragile states, the results show that terrorism is negatively and significantly associated with business failure in developing and fragile states only.	The impact of terrorism on business failure might be best captured at a sectorial level because this will allow the capture the characteristics of individual sectors to be modelled; however, due to data unavailability, the study was unable to achieve this. This could be an avenue for future research.

	40	2017	Yang, T., del Carmen Triana	Set up to fail: Explaining when women-led businesses are more likely to fail	Quantitative	Female entrepreneurs' businesses are more likely to fail than those of their male counterparts. Regarding the moderating effects, results show that female entrepreneurs' businesses are more likely to fail when their merit-based competence is inferior to that of their cofounders. However, in the same scenario, male entrepreneurs are still able to lead their businesses successfully. Women entrepreneurs' disadvantages in leading new businesses are amplified in contexts that many have expected to be supportive of women, including in industries dominated by women and within spousal teams. Together, the results suggest that women's disadvantages in leading their businesses may be perpetuated by gender beliefs that discount women's leadership.	Future research may examine the different motives women have for starting new businesses and whether women see the challenges of entrepreneurship as a problem, an opportunity, or both.
	41	2018	Zhang, H., Amankwah-Amoah, J., Beaverstock, J.	Toward a construct of dynamic capabilities malfunction: Insights from failed Chinese entrepreneurs	Qualitative	This paper explores the processes and mechanisms of business failure in emerging economies. Drawing from the experiences of 50 failed entrepreneurs in China, the authors developed the concept of dynamic capabilities malfunction (DCM) to explain how business failure can stem from maladaptive, misallocation of attention, and internal deficiencies. Their phase model explicates how exogenous and endogenous factors can interplay to contribute to DCM that ultimately led to the business closures. Another unexpected finding was that the failures occurred during the process of business transition.	This paper suggests that future research on the process of business failure can be investigated in large failed enterprises. In addition to this, an exploration of common determinants to DCM and business failure needs to be verified based on a large sample. Thus, future research could focus on examining the specific correlation between internal factors/external factors and malfunction of DCs in a specific sector. Furthermore, future research could work for an exploration about how intangible institutional factors interact with other internal factors contributing to business failure.
	42	2019	Nitani, M., Riding, A., Orser, B.	Self-employment, gender, financial knowledge, and high-cost borrowing	Quantitative	Overconfident individuals, including self-employed individuals, comprise a disproportionate fraction of AFS users. This work also found that financial knowledge among self-employed people is, on average, no higher than that among employees, and low financial knowledge is also associated with AFS usage. Women, even though generally less financially knowledgeable than men, are relatively less likely than men to use AFS borrowing.	Future research might usefully be directed toward identification and measurement of additional financial knowledge domains, domains that are more relevant to business owners, as well as minimum thresholds for financial knowledge required of business owners.
CLUSTER 1	43	2020	Nyström, K.	Entrepreneurship after displacement	Quantitative	This study investigates the link between former workplace characteristics, such as the size and age of the former workplace, and the transition into entrepreneurship. In the second part of the analysis, the performance of the entrepreneurial ventures started by employees after displacement is explored as it relates to survival, employment, and profitability.	It would be interesting to collect data on whether these entrepreneurial ventures created by displaced employees are perceived as necessity- or opportunity-driven. Does the entrepreneurial venture rely on a business idea that existed for quite some time while a person is an employee and is its realization spurred by information about an impending closure? What knowledge and skills developed at their former

						employment do displaced employees find valuable in their role as entrepreneurs?
	44	2021	Orlandi, L. B., Zardini, A., Rossignoli, C.	Highway to hell: Cultural propensity and digital infrastructure gap as recipe to entrepreneurial death	Quantitative	This paper aims to shed light on the actual rate of new venture death in the context of a high level of digital entrepreneurship. Using three different country-level databases, it investigates how different combinations of socio-cultural propensity towards entrepreneurship, exposure to digital media, and digital infrastructure lead to entrepreneurial death. The findings suggest that, in a context characterized by the presence of high levels of sociocultural propensity toward entrepreneurship and exposure to digital media and in the absence of high levels of technological and human digital infrastructure, the associated outcome will be a high level of entrepreneurial death for new ventures.	Future research should also focus on identifying other country-level variables that could act as proxies of technological and human digital infrastructures for non-European countries as well. Further research could also deepen both at the theoretical and empirical levels of the concept of alignment/misalignment of entrepreneurship-related factors, also considering further conditions and their impact on the success and death of new ventures.
	45	2019 7	Bertrand, J-L., Parnaudeau, M.	Understanding the economic effects of abnormal weather to mitigate the risk of business failures	Quantitative	Warm or cold, wet or dry, weather impacts almost every industry, as 70% of businesses are exposed to unexpected variations that influence demand for goods and services. This paper provides a methodology to determine the contribution of weather to sales and to structure financial products to reduce the consequences of adverse weather on expected cash-flows. The results open new research opportunities for weather to be considered as an additional cause of business failure.	More research will be conducted to quantify the role of weather in contributing to business financial distress and business failure. The authors also anticipate growing interest from scholars and practitioners to evaluate the contribution of weather risk management to business sustainability.
CLUSTER 2	1	200 3	Shepherd, D. A.	Learning from business failure: Propositions of grief recovery for the self-employed	Conceptual	For the self-employed, learning is not automatic or instantaneous and is dependent upon, in part, their grief and grief recovery process. The author proposed that the negative emotional response from the loss of a business (grief) interferes with the ability to learn from the experience. A dual process of grief recovery can minimize this emotional interference, and recovery from grief removes it completely.	In future research, scholars should investigate the relationships between the loss of a business and entrepreneurial self-efficacy, as well as between learning (during, and as a result of, the grief ecovery process) and entrepreneurial self-efficacy.
	2	200 8	Mitchell, R. K., Mitchell, J. R., & Smith, J. B.	Inside opportunity formation: Enterprise failure, cognition, and the creation of	Quantitative	Recognizing failure is not easy, for as seen in the results of this paper, new venture failure affects a person's new transaction commitment mindset. Learning from so-called failure is not easy either,	The authors call for additional study that will enable researchers to uncover, operationalize, and evaluate a more complete range of constructs and relationships concerning emotions,

				opportunities		because the mindset path-gestalt hybrid is not immune from affective influence.	failures, and mindsets.
	3	2011	Cardon, M. S., Stevens, C. E., Potter, D. R.	Misfortunes or mistakes? Cultural sensemaking of entrepreneurial failure	Quantitative	Shared understanding of phenomenon is created in communities of people (Wenger, 1998), which are not always formed by formal boundaries of countries or states. The data suggest that entrepreneurial activity may indeed be influenced by a community perspective, specifically in how a community makes sense of entrepreneurial failures that have occurred.	Research that more closely examines the linkages between cultural perceptions of failure, individual failure attributions, and subsequent behaviors seems warranted. It would be interesting to study the same failure situation from multiple perspectives. Study cultural attributions and sensemaking as it occurs in other countries. Evaluate the effects of venture failure on the long-term likelihood of action on the part of failed entrepreneurs.
CLUSTER 2	4	2011	Cope, J.	Entrepreneurial learning from failure: An interpretative phenomenological analysis	Qualitative	The issue of stigma deserves further discussion. All the US participants experienced tolerant attitudes to failure in Silicon Valley; attitudes consistent with a recent study examining regional differences in societal attitudes to failure in the US as expressed in the press (Cardon et al., 2009). In sharp contrast, the majority of UK participants acknowledged a societal stigma associated with failure, which is again consistent with extant theorising on European attitudes to failure (Landier, 2006). Significantly, none of the UK participants reported any tangible social stigmatization on a personal level, which brings into question the extent to which such preconceived societal attitudes are in force at a micro-individual level.	Failure can be understood as: (1) the descent into failure; (2) the experience of managing failure; (3) the aftermath of failure; (4) recovery from failure; and (5) reemergence from failure – that can be examined through a learning lens.
	5	2011	Shepherd, D. A., & Haynie, J. M	Venture failure, stigma, and impression management: A self-verification, self-determination view	Conceptual	The authors' framework offers counterintuitive insights into why some entrepreneurs stigmatized by failure will use impression management strategies to align their conception of self with how others perceive them – even if that means adopting a negative view of self. Our model highlights a potential paradox related to competing individual (the entrepreneur) and organizational goals, with regard to actions positioned to enhance the psychological well-being of the failed entrepreneur.	Consider the implications for this model if the stigma associated with bankruptcy and failure were to be "rejected" by the individual; that is, if the stigmatized individual (others' perception) does not internalize the experience of possessing a social identity devalued by others.
	6	2013	Mantere, S., Aula, P., Schildt, H., & Vaara, E.	Narrative attributions of entrepreneurial failure	Qualitative	The multiplicity of narrative attributions underscores the fact that accounts of failure are not mere descriptions of past events. They play a crucial performative role in producing credible explanations for failure in the eyes of the narrators and their potential audiences. They also employ culturally embedded discursive resources to achieve psychological outcomes, necessitated by the failure. The results strongly suggest that entrepreneurial	Future research needs to address the impact of narrative attribution on consequent entrepreneurial identities. It would be beneficial to study in detail how the attributions of individual entrepreneurs evolve over time as they make sense of the events, and whether attributions predict one's future entrepreneurial career. By assigning blame either to the collective or to the inexperienced self, actors can reflect on their own choices and related consequences without

					failure attributions do not conform to attribution theory in the sense that they cannot be reduced to the generic self-serving tendency to avoid personal responsibility. Focusing on the perspective of the insiders (entrepreneurs, hired executives, and staff) rather than the media or neutral industry observers, this study has revealed how actors involved in ventures cope with disappointment and potential stigma by developing various narrative accounts of EF.	simultaneously threatening their identity. This is clearly an issue that requires further research.
	7	2013	Yamakawa, Y., Peng, M. W., & Deeds, D. L.	Rising from the ashes: Cognitive determinants of venture growth after entrepreneurial failure	Quantitative	Under certain conditions, previous failures stimulate future entrepreneurial growth. Given the pervasiveness of business failures and the paucity of scholarly research on the link between earlier failure and subsequent entrepreneurial endeavors, it seems imperative that attention be devoted to this challenging, yet relevant and important, research agenda of how entrepreneurs rise from the ashes to attain future entrepreneurial success.	Future research would benefit from utilizing a more robust scale measure of variables derived from the psychology literature, experimental design, and factor analytical techniques. Explore quantitatively the complex issues associated with entrepreneurs' recovery from failure. It could be fascinating to study the relationship between causal attributions and "actual" causes and their impact on outcomes.
	8	2014	Jenkins, A. S., Wiklund, J., & Brundin, E.	Individual responses to firm failure: Appraisals, grief, and the influence of prior failure experience	Quantitative	Firm failure is an experience that can serve as an important stepping stone to future entrepreneurial success or a devastating life event from which it is difficult to recover. The authors used appraisal theory to develop a set of testable hypotheses to argue that how the entrepreneur interprets failure can account for this variance in response to firm failure. Thye found support for their hypotheses that how failure is interpreted in terms of loss of self-esteem and financial loss has important implications for how entrepreneurs feel after experiencing firm failure. Thus, the findings help to determine when firm failure is also experienced as personal failure.	An extension of this study could look at how entrepreneurs' reactions evolve over time and could examine the role coping plays in this process. Future research could investigate the role of personality resources (e.g., locus of control) in shaping how stressful the failure experience is appraised (cf. Major et al., 1998). Measure psychological capital. Future research could focus on additional aspects of grief.
CLUSTER 2	9	2014	Mueller, B. A., & Shepherd, D. A.	Making the most of failure experiences: Exploring the relationship between business failure and the identification of business opportunities	Quantitative	Results indicate that learning from failure is facilitated for entrepreneurs who possess a cognitive toolset that consists of opportunity prototypes and an intuitive cognitive style. Moreover, the authors found that prior professional knowledge negatively moderates this relationship.	Explore how the cognitive style wields an important role in the learning process and has the potential to help explain the development of habitual and recurrent entrepreneurial action.

	10	2014	Simmons, S. A., Wiklund, J., & Levie, J.	Stigma and business failure: Implications for entrepreneurs' career choices	Quantitative	In countries where the levels of stigma and regulatory conveyance of stigma markings were at their highest, entrepreneurs who exited failed businesses were less likely to reenter into entrepreneurial activity. Negative social and economic sanctions that are associated with stigma markings speak only to one side of the entrepreneurship phenomenon.	Future research could provide additional insights into this variability by examining how individual- and cross-level interactions influence the re-entry choice, mode, or form of organizing (Arenius & Minniti 2005). For example, future research can examine if gender and human capital variables such as startup skill or education moderate the cultural and regulatory effects of stigma.
	11	2015	Shepherd, D. A., & Patzelt, H.	Harsh evaluations of entrepreneurs who fail: The role of sexual orientation, use of environmentally friendly technologies, and observers' perspective taking	Quantitative	The authors find that variance in the harshness of failure evaluations depends on both the attributes of the entrepreneur and the attributes of the observer, and the interaction between the two. Specifically, entrepreneurs who are homosexual are evaluated more harshly by some observers and entrepreneurs who use environmentally friendly technology are evaluated less harshly.	Explore observers from countries other than Germany and from different regions in the same country. Countries differ in their religions, laws, and social norms, all of which could be antecedents to the current model.
	12	2015	Singh, S., Corner, P. D., & Pavlovich, K.	Failed, not finished: A narrative approach to understanding venture failure stigmatization	Qualitative	First, the findings suggest stigmatization is best viewed as a process that unfolds over time rather than a label. Second, this process begins before, not after, failure and contributes to venture demise. Third, there is a positive ending to the collective story in that stigmatization ultimately triggers epiphanies or deep personal insights which transform entrepreneurs' view of failure from a very negative to a positive life experience. This transformation results in entrepreneurs distributing learning from failure to the founding of future ventures, even when ventures are not their own.	The authors suggest that the context of stigmatization offers an excellent opportunity to explore: (1) negative emotions to augment existing research on this topic (see Biniari, 2012; Shepherd, 2003; Welpe et al., 2012); (2) emotions about the dissolution not just the creation of enterprises; and (3) the extent to which emotions potentially threaten entrepreneurial ventures (Marion et al., 2014). Does the process of making sense of experienced stigma differ for entrepreneurs who go on to found future ventures versus those who avoid further entrepreneurial activity?
	13	2015	Yamakawa, Y., & Cardon, M. S.	Causal ascriptions and perceived learning from entrepreneurial failure	Quantitative	The results suggest that, in particular, internal unstable failure ascriptions appear to enhance learning, especially when shorter time is taken to restart, while failure ascriptions to external stable sources alone and especially when combined with abandoning the domain of the failed venture appear to deteriorate such learning.	The authors encourage additional research in this area.
	14	2016	Khelil, N.	The many faces of entrepreneurial failure: Insights from an empirical taxonomy	Qualitative	Entrepreneurial failure is a multiform phenomenon that is difficult to reduce to a restrictive approach that overlooks the varieties of entrepreneurial failure. The study of this variety led the authors to extend the current understanding of entrepreneurial failure, which remains mainly focused on the causes and consequences of business failure. This study emphasizes the need to consider multiple	If future studies lead to different results, it would be appropriate to conduct new research to establish international comparisons that would explain the origins of these differences. Such studies would enable a determination of whether there is a "universal" typology of entrepreneurial failure regardless of country or cultural differences. Similarly, the sample was essentially composed of young failing entrepreneurs. It

						configurations of entrepreneurial failure when studying its causes and consequences.	is legitimate to question whether the same results would be obtained if the same study was conducted with older failing entrepreneurs or whether there exist generational cultural differences related to entrepreneurial failure.
CLUSTER 2	15	2017	He, V. F., Sirén, C., Singh, S., Solomon, G., von Krogh, G.	Keep calm and carry on: Emotion regulation in entrepreneurs' learning from failure	Quantitative	Survey data from entrepreneurs in the information technology industry reveals an inverted U-shaped relationship between failure velocity and learning behaviors. Emotion regulation moderates this relationship. When failure velocity rises beyond an inflection point, its relationship with learning behaviors is more positive for entrepreneurs with higher emotion regulation. Emotion regulation is critical for overcoming the emotional barriers associated with high failure velocity.	A detailed investigation of the interplay of cognition and emotion, both at the individual level and at the team level, will create additional insight into entrepreneurial learning.
	16	2017	Kibler, E., Mandl, C., Kautonen, T., & Berger, E. S. C.	Attributes of legitimate venture failure impressions	Quantitative	The principal finding of this study is that the most effective impression management strategies for garnering legitimacy judgments from the public are those where entrepreneurs distance themselves from the failure.	Develop a more holistic picture of the legitimacy of entrepreneurial failure impressions by examining the failed entrepreneurs' characteristics, and how they affect the entrepreneurs' sensemaking of the business failure, and also the way those entrepreneurs experience their stakeholders' judgment of failure, and in turn, the level of stigma that results from such judgments. It would be important to develop a more nuanced understanding of how cognitive and emotional states as well as the interplay between core entrepreneurship constructs, such as opportunity confidence and fear of failure, influence the way legitimacy judgments affect an entrepreneur's well-being and decision on whether to reenter entrepreneurship after a business failure.
	17	2018	Boso, N., Adeleye, I., Donbesuur, F., Gyensare, M	Do entrepreneurs always benefit from business failure experience?	Quantitative	Learning from business failure serves as a channel through which the experience of business failure influences performance in new ventures, depending on increasing levels of learning, and increases alertness levels for new business opportunities.	Extend this study further by increasing the number of countries and cultural settings to help broaden the perspectives on business failure and its consequences. The authors believe that perspectives on business failure may vary as a result of cultural and institutional differences. For example, could the effect of business failure experience on subsequent new venture creation be dependent upon national cultural and/or institutional differences? Examine the extent to which the dual recovery process of loss orientation and restoration orientation helps explain the effect business failure experience has on learning from failure. Explore whether the type of failure attribution moderates the relationship between business failure experience and learning.
	18	2019	Liu, Y., Li,	Narcissism and	Quantitative	The findings point to the importance of the social	Since social threats can particularly exacerbate the

			Y., Hao, X, Zhang, Y.	learning from entrepreneurial failure		environment for narcissistic entrepreneurs to learn from failure. Research to date has focused on how to cope with psychological costs (negative emotions) (e.g., research by Shepherd and colleagues). This study shows that narcissistic entrepreneurs are particularly sensitive to social costs in learning from failure. Given that these failure costs are distinct, narcissists may need different coping mechanisms in the presence of social costs of failure. While contextual factors like social costs may not alter the narcissistic tendency of entrepreneurs, the negative consequences of narcissism may be attenuated through social support if it helps reduce the social costs of failure. Policy-makers can also create a more failure-tolerant environment to mitigate the social costs of failure and help narcissistic entrepreneurs learn.	negative effects of narcissism, future research might address the role of social support in terms of having a more failure-tolerant environment or offering support through family and friends. Explore the effects of narcissism in other countries. Explore how financial and social costs interact to influence individual and organizational behavior.
	19	2019	Simmons, S. A., Wiklund, J., Levie, J., Bradley, S. W., & Sunny, S. A.	Gender gaps and re-entry into entrepreneurial ecosystems after business failure	Quantitative	Public fear of failure does not correlate with public stigma of business failure, which suggests that there may be a mismatch in some countries between fears and consequences of business failure.	Future work could examine whether high gender inequality at the national level interacts with gender effects at the individual level to reduce ecosystem diversity further.
CLUSTER 2	20	2020	Klimas, P., Czakon, W., Kraus, S., Kailer, N., & Maalaoui, A.	Entrepreneurial failure: A synthesis and conceptual framework of its effects	SLR	The authors develop a multilevel framework of entrepreneurial failure effects which categorises: (1) their manifestations over time; (2) the directness of the link to the failure event; (3) the degree of impact on the failed entrepreneur; and (4) the level of long-term outcomes generated.	Examine cognitive, behavioural, and personality theories of learning after failure quantitatively; simultaneously consider different levels of EF effects or attempts to identify the interlinks between various causes and different effects of EF; measure EF effects; develop mechanisms to translate the findings into practice; investigate how turning the mechanisms of learning from failure into educational practices constitutes a significant challenge for future research.
	21	2021	Lee, C. K., Cottle, G. W., Simmons, S. A., & Wiklund, J.	Fear not, want not: Untangling the effects of social cost of failure on high-growth entrepreneurship	Quantitative	Lowering the social cost of failure, people will be more willing to attempt entrepreneurial careers; countries with a higher social cost of failure are negatively associated with total entrepreneurial activity, but positively associated with the likelihood that entrepreneurs who have high-growth aspirations will start firms. Significant correlation between higher social costs of failure and the quantity of early stage firms with export orientations.	It is important to understand the relationship between the social costs of failure and actual growth even though previous studies show the positive association between growth aspiration and its outcome. Future studies could examine funding mechanisms, including traditional lines of credit and self-funding.
	22	2021	Amankwah-Amoah, J., Khan, Z., Ifere, S. E.,	Entrepreneurs learning from business failures: An emerging market	Qualitative	Entrepreneurs were often motivated to start another venture as a result of the economic hardship and social stigmatization that occurs after business closure. The authors identified a three-stage fine-grained process	Do comparative studies on serial entrepreneurs to identify the factors that facilitate or hinder a new venture's survival and growth across different emerging markets. Understand the role of social and family ties

		Nyuur, R. B., Khan, H.	perspective		perspective of successive entrepreneurial engagement (e.g. prefounding, formation and development, and postfounding conditions and effects on subsequent entrepreneurial ventures). These stages shed light on entrepreneurial fragility, entrepreneurial resiliency and the development of anti-fragility capabilities that are conducive to subsequent venture formation and survival. The authors shed light on how individual-level factors shape how prior failure experiences can shift from liability immediately after business collapse and at prefounding to become an asset during and after new-venture formation. Such learning from past failure is vital in adapting to dynamic environmental changes, especially those observed in emerging-market settings. Taken together, the findings demonstrate how entrepreneurs bounce back from errors, failures, and setbacks.	and how such ties can become potential assets as well as liabilities in the survival of new ventures in emerging economies. Conduct large-scale surveys and test the hypotheses of this paper across similar emerging markets. Build on this study and longitudinally examine the underlying mechanisms and factors, and the influence of the environment, on venture failure and subsequent formation of a venture. Perseverance was indicated to be important for serial entrepreneurs, thus there is a need to examine this particular factor across different sets of entrepreneurs. Failure can also have a long-term psychological effect on entrepreneurs, especially in emerging markets where formal institutional support is quite weak; therefore, examining the impact of psychological burnout on venture formation and survival can be a potentially interesting topic for future studies.
	23	2021	Fisch, C., Block, J. H.	How does entrepreneurial failure change an entrepreneur's digital identity? Evidence from Twitter data	Quantitative	The financial, social, and psychological consequences of failure are reflected in entrepreneurs' digital identities and language on Twitter.	Analyze how other entrepreneurship events than failure trigger changes in entrepreneurs' digital identities. Analyze the emotional and motivational consequences of an IPO or another form of (positive) exit for the entrepreneurs and top managers involved. Knowledge about how entrepreneurs' digital identities change over time is a fruitful area of research, especially when considering that entrepreneurs' online self-representations will become even more critical in the future.
	24	2022	Amankwah-Amoah, J., Adomako, S., Berko, D. O.	Once bitten, twice shy? The relationship between business failure experience and entrepreneurial collaboration.	Qualitative/ Quantitative	There is a positive relationship between entrepreneurs' business failure experience and entrepreneurial collaboration; the positive impact of business failure experience on entrepreneurial collaboration is stronger among entrepreneurs leading nonfamily firms than family firms; among firms led by nonreligious-oriented entrepreneurs, business failure experience was more positively related to collaboration.	There is also a possibility that former business owners who attribute their failure to departure of a partner or coowner may be less likely to engage in collaborative ventures; this study did not control previous collaboration by entrepreneurs. This could influence entrepreneurial collaboration.

CLUSTER 3	1	2010	Ucbasaran, D., Westhead, P., Wright, M., & Flores, M.	The nature of entrepreneurial experience, business failure and comparative optimism	Quantitative	We find that experience with business failure was associated with entrepreneurs who are less likely to report comparative optimism. Portfolio entrepreneurs are less likely to report comparative optimism following failure; however, sequential (also known as serial) entrepreneurs who have experienced failure do not appear to adjust their comparative optimism. Conclusions and implications for entrepreneurs and stakeholders are discussed.	Use longitudinal data comprising information from cohorts of novice entrepreneurs followed over time. Identification of total time in business ownership, the number of business failures, and transitions into sequential and portfolio entrepreneurship, as well as into paid employment would represent valuable research opportunities. Studies could consider the actual financial and nonfinancial costs of business failure and links with subsequent optimism and behavior. An entrepreneur having lost their life savings in a business failure may exhibit greater emotional damage, and this may constrain the ability to learn from that experience.
	2	2011	Patzelt, H., & Shepherd, D. A.	Negative emotions of an entrepreneurial career: Self-employment and regulatory coping behaviors	Quantitative	Entrepreneurs have, on average, more positive and less negative emotions than other workers, which depends on the approaches focused on problem solving and on the emotions used.	The authors suggested to study how the various roles played in a work context impact their emotions. What is the difference between the strategies used by entrepreneurs and other workers to deal with problems.
	3	2011	Welpe, I. M., Spörrle, M., Grichnik, D., Michl, T., Audretsch, D. B.	Emotions and opportunities: The interplay of opportunity evaluation, fear, joy, and anger as antecedent of entrepreneurial exploitation	Quantitative	Three central assumptions are confirmed across two studies. The first is that the effects of opportunity characteristics on exploitation are mediated by evaluation. The second is that emotions influence exploitation decisions in addition to evaluation. Fear reduces exploitation, whereas joy and anger increase it. The third is that fear, joy, and anger influence evaluation's effect on exploitation with higher levels of fear reducing and higher levels of joy and anger increasing the positive impact of evaluation on exploitation.	Differentiate emotions in terms of entrepreneurs' valence, motivational tone, and underlying appraisals, although this distinction has so far not been consistently considered in entrepreneurship research. Study both direct and moderating effects of emotions on entrepreneurial exploitation tendencies.
	4	2013	Parker, S. C.	Do serial entrepreneurs run successively better-performing businesses?	Quantitative	Serial entrepreneurs obtain temporary benefits from spells of venturing which eventually die away. This implies that venturing generates benefits which spill over from one venture into subsequent ones, and it can provide a rationale for public policies which encourage reentries by entrepreneurs, even if those entrepreneurs performed poorly in their first ventures.	It is hoped that future theorizing about serial entrepreneurship might find this perspective on dynamic human capital acquisition a useful one.
	5	2015	Eggers, J. P., & Song, L.	Dealing with failure: Serial entrepreneurs and the costs of changing industries between ventures	Quantitative	Failed novice entrepreneurs are likely to blame the external environment and therefore change industry before starting a subsequent venture, and this industry change will result in lower performance in the subsequent venture.	Future research could both explore other factors internal and external to the organization that the founder may or may not change between ventures, and devise a better identification strategy to test causality more convincingly.
	6	2015	Hsu, D. K., Wiklund, J., & Cotton, R.	Success, failure, and entrepreneurial re-entry: An	Quantitative	The authors find that prospect theory explains re-entry intentions of entrepreneurs who have lost money when their self-efficacy is moderate or low. Thereby, they	One's risk-averse attitude would increase with an increase in perceived amount of gains: this extension has not been tested in entrepreneurship. Moreover,

			D.	experimental assessment of the veracity of self-efficacy and prospect theory		provide an explanation for the puzzling empirical finding that so many failed entrepreneurs reenter entrepreneurship even if failure has undermined their self-efficacy.	although the risk attitude assumption central to prospect theory that positive (negative) framing triggers risk-aversion (risk-seeking) has been demonstrated in the psychology literature (see Kühberger's [1998] meta analysis), it has not been empirically tested in the entrepreneurship context. Under what conditions entrepreneurs would choose these different goods or reference points to shape their framing would be interesting research questions for future study.
	7	2016	Wyrwich, M., Stuetzer, M., & Sternberg, R.	Entrepreneurial role models, fear of failure, and institutional approval of entrepreneurship: A tale of two regions	Quantitative	The authors hypothesize that observing entrepreneurs reduces fear of failure in others in environments where approval of entrepreneurship is high, while this effect is significantly weaker in low approval environments.	Future research could study in more detail the indirect effects of formal and informal institutions on entrepreneurial perception and action.
CLUSTER 3	8	2016	Cacciotti, G., Hayton, J. C., Mitchell, J. R., Giazitzoglu, A. .	A reconceptualization of fear of failure in entrepreneurship	Qualitative	This research confirms the assumption that it has to be treated as a socially situated phenomenon. If fear of failure results from the appraisal of significant experiences in evaluative situations that might threaten an individual's sense of achieving, then we must consider those socially situated events that can generate individuals' fearful reactions. An appropriate version of fear of failure in entrepreneurship has to take into account three additional dimensions (i.e., ability to finance the venture, potential of the idea, and venture's ability to execute), which are needed to account for the situated features of the context.	Study the impact on enhancing our understanding of fear of failure in entrepreneurship.
	9	2016	Morgan, J., & Sisak, D.	Aspiring to succeed: A model of entrepreneurship and fear of failure	Conceptual	The authors show that when an individual's threshold for success is sufficiently high, fear of failure motivates additional investment. When the threshold for success is equal to the foregone outside option, on the other hand, fear of failure is always demotivating. Finally, regardless of the success threshold, fear of failure is negatively associated with entry into entrepreneurship.	No suggestions.
	10	2019	Baù, M., Sieger, P., Eddleston, K. A., & Chirico, F.	Fail but try again? The effects of age, gender, and multiple–owner experience on failed entrepreneurs' re-entry	Quantitative	The relationship between age and the likelihood of re-entry is more positive in the early-career stage, more negative in the mid-career stage, and more positive in the late career stage. The authors identified gender as a contingency factor that alters the relationship between the age of failed entrepreneurs and the likelihood of entrepreneurial re-entry.	Future research should delve into this issue in more depth by investigating the ownership structure of failed businesses in more detail, such as whether the failed entrepreneur was a majority or minority owner. Future research should explicitly capture specific psychological factors associated with an entrepreneur's age, such as stress, regret, and/or emotional turmoil.

	11	2017	Kollmann, T., Stöckmann, C., & Kensbock, J. M.	Fear of failure as a mediator of the relationship between obstacles and nascent entrepreneurial activity: An experimental approach	Quantitative	The authors demonstrate that the perception of obstacles activates fear of failure, which, in turn, has a detrimental impact on opportunity evaluation and exploitation. Fear of failure's mediating effect generalizes across different samples and various obstacles (resource-oriented, market-oriented, and social-capital–oriented obstacles), and contributes to entrepreneurship research and practice by explaining individuals' decisions to withdraw from an entrepreneurial endeavor.	Future research might replicate these findings using other survey methods and field studies (including qualitative approaches to capture the full realities that nascent entrepreneurs face) to examine the effects of obstacles on nascent entrepreneurs' evaluations and behavior. Could take a more fine-grained look at the obstacles used in this study. For instance, within the realm of social capital theory, the differentiation between a firm's external social ties ("bridging social capital") and intra-firm social ties ("bonding social capital") merits further attention. Could include the investigation of fear of failure's mediating effect in cross-cultural contexts.
	12	2018	Guerrero, M., & Peña-Legazkue, I	Renascence after post-mortem: The choice of accelerated repeat entrepreneurship	Quantitative	The authors found that entrepreneurs with broader and deeper experiential capital hurry more to explore and exploit second opportunities for business creation. This study posits and empirically validates the idea that there are three important dimensions at the core of repeat entrepreneurship: individuals, organizations, and contexts.	But how effective are former organizations in shaping entrepreneurial opportunities and nurturing the experiential capital of intrapreneurs? How supportive are they in making these opportunities happen and creating new firms? Further research remains to be conducted on this intriguing issue.
	13	2019	Lin, S., & Wang, S.	How does the age of serial entrepreneurs influence their re-venture speed after a business failure?	Quantitative	The older the serial entrepreneur, the longer the time taken to start a venture again. Additionally, the larger the failure loss, the slower the re-venture speed. Finally, the relationship between a serial entrepreneur's age and re-venture speed strengthens when the failure loss is large and weakens when family support is strong.	To obtain a more inclusive picture of the influence of family support, future studies should include a more comprehensive set of factors when measuring this variable. Finally, with respect to the model construction, variables that may play a mediating role in the relationship between age and re-venturing were not included in this study (e.g., entrepreneurial desirability and entrepreneurial feasibility). Inclusion of measures for these variables in this survey would have depicted the mechanism more precisely.
CLUSTER 3	14	2019	Engel, Y., Noordijk, S., Spoelder, A., & van Gelderen, M.	Self-compassion when coping with venture obstacles: Loving-kindness meditation and entrepreneurial fear of failure	Quantitative	The authors' findings are promising as they point to the potential of LKM and self-compassion to serve as a practically attainable way for entrepreneurs to develop resilience and more effectively cope with entrepreneurial fear of failure.	For a more precise estimation for the effects of LKM on self-compassion and fear of failure, future research could replicate the study in a laboratory-like setting and utilize different samples. Future research could test the hypotheses in a more natural field setting and with measures that can tap into the lived experience of entrepreneurial fear of failure. Explore whether LKM's focus on compassion to oneself and others might impact fear of failure by shifting one's temporal focus (Foo et al., 2009; Shipp et al., 2009) away from the future and into the present moment.

	15	2019	Shahriar, A. Z. M., & Shepherd, D. A.	Violence against women and new venture initiation with microcredit: Self-efficacy, fear of failure, and disaster experiences.	Quantitative	The authors find that women who experienced physical or sexual violence by their husband before receiving a loan are less likely to initiate a new business with their loan than those who did not experience such violence. Exposure to domestic violence obstructs the initiation of new businesses through reduced entrepreneurial self-efficacy and increased fear of business failure. The adverse impact of domestic violence is more detrimental for women who recently experienced another potentially traumatic event – environmental disaster – than for those without such an experience.	Future research can investigate whether incentivizing respondents (with payments) leads to misreporting of assets, new business creation, violence-experience, or any other constructs. Research could build on this initial finding and explore additional nuances between domestic violence and other entrepreneurial actions, such as the creation of new products, identification of new customers, entry into new markets, or acquisition of new skills.
	16	2020	Allen, J., Stevenson, R., & Wang, T.	Creative and resourceful: How human, social, and psychological resources affect creative workers' ability to rebound after failure.	Quantitative	The findings illustrate the importance of intangible resources as drivers of postfailure entrepreneurial transition decisions and transition speed.	Future research might consider how intangible resources enhance creative workers ability to make larger pivots such as strategic changes.
	17	2020	Cacciotti, G., Hayton, J. C., Mitchell, J. R., & Allen, D. G.	Entrepreneurial fear of failure: Scale development and validation	Conceptual	The authors conceptualized entrepreneurial fear of failure as a negative affective reaction that is based in cognitive appraisals of the potential for failure in the uncertain and ambiguous performative context of entrepreneurship. They developed and validated an instrument to assess the different dimensions of entrepreneurial fear of failure: ability to fund the venture; potential of the idea; threat to social esteem; opportunity costs; personal ability; and financial security.	It is possible, for example, that the authors' concept of entrepreneurial fear of failure does not reflect every facet of this phenomenon as experienced in non-Western countries, or in less developed economies. While they have drawn upon a rigorous inductive study to specify the construct domain and define the facets of this measure, they acknowledge that it is possible that future research may identify additional, unmeasured facets of the construct which are distinct from those currently measured. Future research could examine, for example, the convergence validity of their measure using biological data that captures a physiological reaction (e.g., cortisol levels).

Appendix 3A

Interview Scripts

SECTION	QUESTIONS
ESSAYS #2 / #3 / #4	
1. FIRM CHARACTERIZATION	- Region - Activity sector - Legal form - Year of opening and closing of the company - Did you have partners? How many? Relatives? - No. of employees - Invoicing - Initial loan? And during the activity? Why?
2. ENTREPRENEUR CHARACTERIZATION	- Age - Gender - Training
ESSAY #2	
3. PSYCHOLOGICAL ASPECTS (CAUSES)	- How do you face the risk? - Do you consider yourself optimistic? Realist? Pessimistic? - Do you consider yourself more emotional or rational? - Do you consider yourself a confident person? - Relationship with customers? With suppliers? Collaborators? Were there any problems? Which? - How did you feel while you had the company? - Do you consider yourself a spiritual person?
4. ASPECTS RELATED TO MANAGEMENT (CAUSES)	- Did you have clearly defined annual objectives of the firm? - Did you plan annually your firm's activities? - Competition? Was it a problem? Why? - Did you have tax or legal problems? - Was it easy to make decisions?
5. FAILURE CHARACTERIZATION (CAUSES)	- What led you to close the company? - What do you attribute the problem to? - Did you have enough capital? - Innovation? - Training? - Networking? - Family? - Rumours, gossip? - Market? - Did you have any institutional support? - Did you have any advice? - How did it close? (sold, went bankrupt, closed)
ESSAY #3	
3. PSYCHOLOGICAL ASPECTS (LEARNING)	- Do you consider yourself optimistic? Realist? Pessimistic? - Do you consider yourself more emotional or rational? - How did you feel while you had the company? - How did you feel right after closing? (depression, pain, fear, anxiety, insecurity, physical health problems, ...) - Do you consider yourself a spiritual person? If yes, do you think this had any influence on either the failure or the recovery?
5. FAILURE CHARACTERIZATION (LEARNING)	- Faced with the problem, would you act in the same way today or would you change any decision? Which? Why? - Have you improved your skills to identify opportunities? Overcoming difficulties? - Do you identify any situation that indicated that things would go wrong?
6. REACTION TO FAILURE (LEARNING)	- What personal problems did closing the company pose for you? Debts? - Did you have other sources of income? - How did friends/family/society react? Did they help?

	- How did you react emotionally to the closure of the company (sadness, pain, anger, loneliness, unhappiness, despair, events, changes, guilt, stigma, thoughts, decision, motivation, experience)? - Did you feel a lack of control of the situation? - How did you recover? - How long did it take to feel good again? - To what factors do you attribute your recovery? - How do you see the possibility of opening another company (if you haven't done so yet)? - What do you consider to have learned during your time with the company? And with failure? - What did you learn change your life in some way? For the best? - What occupation did you have afterwards? - Did you feel enough institutional support?
ESSAY #4	
3. PSYCHOLOGICAL ASPECTS (MEDO)	- Were you afraid of failure when you started the business?
4. ASPECTS RELATED TO MANAGEMENT (MEDO)	- Were you afraid or insecure while you had the company? - Has fear of consequences influenced your management decisions?? - Did you receive any kind of institutional support?
5. FAILURE CHARACTERIZATION (FEAR)	- To what do you attribute the problem?
6. REACTION TO FAILURE (FEAR)	- Describe the business's past and the events that led to its failure - Do you identify any situation that indicated that things would go wrong? - Were you afraid of the personal problems that the closure of the company posed for you? - If so, did that interfere with your decision to close the company? - And did it influence closing sooner or later? - Did you have other sources of income? - Did friends/family help reduce fear or the opposite? - How long did it take to feel good again? - To what do you attribute your recovery? - How do you see the possibility of opening another company (if you haven't done so yet)? - If not, what did you do afterwards? What occupation did you have? - Did you feel enough institutional support? - Started another company?

Appendix 3B

COMPANY	HISTORY
E1	It was a ceramics store in the centre of Viana do Castelo. It was set up by a person whose father had run similar stores. There were private clients who would buy from the store and companies in the hospitality sector, hotels, restaurants and cafés. There were also sales to schools, that is, to the state. A high percentage of sales came in the summer when emigrants would return from France and spend a lot of money. They buy many dining services, glasses and prestigious brands such as Vista Alegre and Atlantis, which provided a very high level of turnover. As from the beginning of this century, sales to the emigrants dropped off sharply, the market relocated to the city's periphery that also led to a reduction in the number of people circulating in the centre. In parallel, the hypermarkets opened and selling something of everything and the store couldn't cope with the competition, even selling off at lower prices. I managed to sell the stock well, the property was mine and was also sold and there was no insolvency and no debts.
E2	This was a restaurant that tried to bring an innovative concept to Famalicão. There were five partners that later became four and who did not agree and had different visions for the business and also different objectives. One of them was the owner of the space who rented it to the company for an excessively high rent, from the perspective of the interviewee, which meant there were financial difficulties from the outset. The person in charge of the kitchen did not take cost into account and spent too much taking into consideration the price of meals that we would have to keep reasonable to attract clients as there was a lot of competition. The other partners did not have any management competences and the finances quickly got out of control and there was the decision to sell the company to a chain of restaurants. This sale enabled the paying of compensation and cleared all the debts to suppliers and the bank and so there was no insolvency.
E3	This was a company founded at the beginning of the 1980s that sold machinery and tools and furniture for offices and hospitals. For a short period of time, it would also sell bottled gas. It was a distributer and for had exclusivity for quite a period of time. There were two partners, father and son. They sold to private individual but the turnover mostly came from companies. The organisation was based on the permanent presence of the father in the store, where he controlled the sales, the stocks and the accountancy and with his son out in the street. As the sales rep, he would visit clients, suppliers and established a network of knowledge that ensured an interesting portfolio of clients and who didn't forget him when the time came to buying. They were suppliers to large companies and with a high level of turnover. Over time, things began to change, the exclusivity over distribution ended and the companies themselves began competing with the distributers, with the large companies setting up sales centres, this changed the existing dynamic. However, there was a good adaptation by the company to this new way of market operations that continued until the father passed away. The responsibility all fell on the son, who was already not so young. It became impossible to manage the company and be out in the street selling simultaneously. As it was not possible to replace the father, very much due to the incapacity to find somebody of absolute trust to manage the financial affairs of the company, the turnover began to decline and at a certain point either the company had to close or it would go into insolvency. As neither of these solutions was viable, the entrepreneur resolved to propose the sale of the company to the longest serving employee and with greatest knowledge about the business and get the financial returns that would enable him to live well until retirement.
E4	The entrepreneur interviewed received a business proposal to set up a small textile industry

company in partnership with an existing partner. After several years, this partner left the company and his share was acquired by the other partner. The major problem with this company was only having one client that purchased all the production. At a particular point in time, this client ran into a problem because one of its largest clients did not pay, which meant it was unable to pay this company. Having only a single client and with this company going to the wall, there was a deeply serious problem with the total loss of any turnover with no more payments made firstly for tax and social security and then for the workers. The partners had to ask friends for loans but the problems just snowballed to such an extent there was no avoiding insolvency. The debts to the state caused complicated problems that were only resolved by the chance to go and work for a large company that had construction projects in Africa, enabling him to pay off his debts and sort his life out.

E5

This was a company that started out selling medical devices and then went into the umbilical cord blood cryopreservation business. There were two partners, husband and wife. The company worked in the Portuguese and Italian markets, where there were no private cell banks but with a very high level of competition with public banks. In the meantime, the company had gained access to European funding but which depended on moving installations to UPTEC, which was then under construction. There were very significant delays to completing these works that exceeded the deadline for the company to gain the funding and ended up losing it. Without access to its own cell bank, the company made recourse to the existing cell bank that belonged to the competition. Without access to European funds, it wasn't possible to set up their own bank and, as they were growing at a good pace, the owner of the bank they were working with doubled the price and completely choked off the company that had no way of coping with such high costs and ended up going into insolvency.

E6

This was an artisan brewery-bar that belonged to two partners and that was working very well and without any major problems. The issue identified at the time was that the company needed to grow and would thus have to expand the space of its premises. However, in 2020, the COVID-19 pandemic forced them to close and the support promised for the sector never arrived. There was a long period of closure and when finally able to open, this was only authorised with half of the places which rendered the business totally inviable. The bar was already too small and, cut by half, would not generate the minimum turnover necessary to sustain the business. The only option was to close and avoid more serious financial problems.

E7

This company was a small shoe store that was set up from its roots by the entrepreneur. There was one employee and it operated without any major problems until there was a fall in the turnover that the entrepreneur attributed to the desertification of the city and the 2008 financial crisis in which people saw their disposable incomes drop and began buying less. At the same time the hypermarkets and shopping malls began attracting clients and making business difficult. Experiencing a continued decline in sales, the entrepreneur became highly concerned as she'd never thought she might have to close the store but, advised by her son, she opted to close to avoid building up further problems. With financial support from her husband and son, she was able to pay off her suppliers and employee and closed the company without entering into debt.

E8

This was a small company that produced artisan chocolates. There were two partners, husband and wife. The business implied first doing several months training in Greece to learn and making recourse to a loan to acquire the necessary machinery. The business is highly based on creativity, coming up with new recipes, new ways of presenting chocolate that may be totally personalised, whether in sentences, words or images or in the shapes or the packaging. Their clients were restaurants and hotels while they also tried selling to specialist stores. They were able to pay the

	initial loan but the business never flourished and the owners were never able to gain decent income. The husband's wage was essential to the family being able to make ends meet. The work was demanding from the physical point of view and so they needed to find staff who were easily able to cope with such work. Furthermore, the wife lacked the time to manage the company in addition to the skills necessary and not even minimally controlling the production costs which frequently led to the sale price being below the production cost. This business sector is highly demanding as it's a niche requiring production, financing, marketing and communications management of high quality to gain success. Without this, the company lost the capacity to pay for its fixed costs, no longer employed anybody and with the pandemic ended up having to close. As chocolate making is a passion for the entrepreneur, she opted to install the machinery at home and produce on a micro-scale only for friends and acquaintances but without any formal company structure.
E9	This is a small café founded by two partners that was always badly run, without any control over costs with allegations that one of the partners deviated funds from the company that, quite suddenly, ended up in insolvency. The case is complicated, the rent didn't get paid and the landlord took legal action to evict them. One of the partners was deeply bothered by this, without knowing what to do, entered into despair through to having a stroke and passing away before the resolution of the problem that then worsened as his heir is still a minor.
E10	This company was a company set up by the entrepreneur who worked in another company where he learned the trade and, at a particular time, resolved he should work for himself. He established a portfolio of clients, some brought along from his former place of employment, and went into operation. The business went well and at a particular point, he received a proposal from a large company to carry out some works. To accept, he had to found a company. During the recession in the construction sector, there were clients who did not pay and others that quit projects when he had already purchased the materials. The company did not have any proper management structure. The work was accepted, done and would end up being paid for and there were no major problems that could not be resolved. The problems emerged when the turnover dropped abruptly and meaning there wasn't the cash flow for the payments that needed making. There were employees, there was a loan, taxes and social security to pay and it suddenly became impossible to comply. He allowed the problems to drag on in time until the company went into insolvency. And, to pay his debts, the only solution was emigration.
E11	Similarly, to the previous company, this one was also founded by an entrepreneur who worked in another company where he learned the trade and, at a certain point, decided to work for himself. He managed to retain several clients from his previous company and started operations based on that client portfolio. The business gradually grew until he received a proposal from a large company. To accept that work, he had to establish a new company. During the recession that hit the construction sector, several clients failed to pay him, and others abandoned projects after he had already purchased the materials, leaving him with substantial debt. The company lacked a proper management structure. The work was accepted, completed, and payments were being received without significant issues. However, problems arose when the revenue sharply declined, resulting in a lack of cash flow to meet the necessary payments. There were employees, loans, taxes, and social security to be paid, and suddenly it became impossible to fulfill these obligations. He allowed the problems to persist over time until the company became insolvent. Emigration became the only solution to repay his debts.
E12	The situation is identical to previous ones, where an employee believes they will live better if they leave their job and work for themselves, taking advantage of the clients they worked for. Everything

	goes well until problems arise that the entrepreneur does not have the skills to manage because they do not have the knowledge, and they do not even know they lack it. Thus, when there is a significant number of clients who do not pay on time and others, such as the government, who abandon large projects that have a very significant economic impact for these micro-enterprises, problems arise and are not resolved because the entrepreneurs do not know what to do and tend to make mistakes with serious consequences that lead them to insolvency. With debts to social security and the tax authorities, the only way out is emigration.
E13	The company was a neighbourhood hairdresser. It was set up by the entrepreneur when finishing her training course. The portfolio of clients was not very big but it was large enough. The entrepreneur was managing the business and the problem emerged with the COVID pandemic that forced her to close her doors for too long. The lack of size meant she lacked the financial capacity to cope with the overnight total loss of turnover. Then, there was the rise in costs with disinfection products and disposables when finally allowed to reopen. To avoid problems, she opted to close before building up debts she'd be unable to pay.
E14	This company also emerges from an employee who decides to leave their job and work for themselves, creating a company. Everything goes well until they start experiencing payment delays from clients or struggle to receive payments altogether, which also incurs costs. Alongside a significant reduction in clients due to the construction crisis, debts start accumulating with suppliers and government entities (tax authorities and social security). Without knowing how to resolve these issues, the situation eventually leads to insolvency.
E15	The situation does not differ greatly to the above and to E6. The business was going well until COVID forced their closure and the total loss of all turnover.
E16	The problem with this firm was Covid-19.

Appendix 3C

Representative Citations (Essay #2)

Dimensions	Themes	Representative citations
Company finances	Lack of financial management and competences	• "And, as microcompanies, we don't have any voice. They do what they want and to who they want, and us, if we get angry, we're left without any product to sell. So, we had a lot to put up with." (E3) • "A fairly big drop in money from emigrants to France, who stopped buying like they'd used to (…)" (E1) • "… on occasion, a company gets a large order and makes a large investment in raw materials, in labour, production begins, and, in the meanwhile, the client gives up on the order. As there's also not enormous control over payments, things get complicated, and even worse if the client is foreign. You can get into debt with suppliers, lose clients, and begin lacking the capacity to respond." (S) • "… The Council (schools) were taking around three or four months to pay, but they would pay, that was certain. But there were restaurants that paid very badly, and it was necessary to go there to get the money. There were others who paid very well. The big were worse for paying than the little people." (E1) • "… many (clients) did not pay and refused to pay because they said that the debt was not theirs, it belonged to their company and that had gone bankrupt …" (E3) • "… there were clients that took ages to pay, and it got complicated because we had to pay VAT before they would pay us. This caused many problems." (E14) • "… I don't know if this is some Portuguese characteristic, but nobody here likes paying on the spot, not after 15 days and not after 30 days. They like paying after 60 days, 90 days, 120 days, the later the better. They say that "money makes still more money" but that is a mistake that leads to a lack of control because, at a certain point in time, you get lost, and you don't know how much you have. How much there is to come in, when you have to pay, and this lack of control may prove very harmful." (S) • "… One of the major causes of these failures, incredible as it may seem, was the Portuguese state, which signed major project for millions, contracted these major construction companies that, in turn, subcontracted to these microcompanies. But the state did not pay these big companies on time and they, in turn, did not pay their suppliers. That triggered a chain of reaction that dragged many microcompanies under after they had been subcontracted and that ended up owing to their own suppliers, many of them also microcompanies and so on." (S) • "… And then they do jobs that do not have any profitability. There's no gains because they cannot do their accounts, they don't include all the time, the supplies, and don't know how to define the price of the service." (S) • "… I took out a loan and I gave my house as a guarantee and then I lost everything." (E14)
National policies	Fiscal policy	• "… After, there was a problem with the taxes. The taxes are brutal: over 40% of the profit gets taken in taxes. The state pays badly. The hospitals pay after two years, and we have to pay VAT before they pay. Invoicing, after three months, you have to pay the VAT, which is still to be paid by the client. But we still had to pay this money to the state when it should be the client, the state, as the client paying and would often only pay two years later, three years later. The only advantage that there is, is that they eventually pay. It's safe but it's a relative safety that may place us in very complicated situations." (E3) • "… The taxes were a really heavy burden. You had to pay company tax, VAT, and VAT many times had to be paid before you received it because you issued the invoice in advance, social security, stamp duty, this was a very big burden. Complicated many things". (E1)

		• "… whenever there is noncompliance of debts owed by the company to Finances and/or Social Security and the assets making up the assets of the company are insufficient to meet these credits, the fiscal execution process issued against the company continues against their respective managers, executing and seizing their personal assets. Many people emigrated because of insolvency processes after their company was declared bankrupt and the state holds the owners responsible, who become personally responsible for them and have to go and earn money to pay them because these debts constitute a crime of abuse of fiscal trust and may lead to prison sentences when not paid." (S)
	Legal system	• "… There is also the problem of justice. No problem was ever resolved through the Portuguese justice system. There is no justice. Insolvencies, for example, are a disaster for any company. For example, the cheques that were a means of payment that if people did not comply with, they'd go to prison, be arrested. But minister X changed this rule, I don't know why, and cheques stopped being a means of payment to become a promise of payment. Promises of payment hold no juridical value. The client passed a cheque to pay, did not pay, patience. There were difficulties and so we're going to have to wait, and, in the meanwhile, he's put all his assets in the name of his wife, his children, his parents-in-law and we get left without the money." (E3)
	Pandemic	• "… The company closed due to COVID. Or rather, the government has to take the blame because in the first year of the pandemic, 2020, the support instruments provided by the government for those with companies and operating in the field were irrelevant. They didn't serve for anything." (E6) • "… When the pandemic forced me to close, I spent too long without any turnover, and I couldn't hold out." (E13) • "… With the pandemic, there was no chance. Without clients, I couldn't survive." (E16) • "… We still tried to keep going but when we had to open with only half of the room, it didn't work. There were very few people. We also tried a take-away service but we couldn't. The earnings did not pay for the costs." (E15)
Company management	Lack of management competences	• "… In microcompanies, even with the right number of staff, it's the boss who always has to be out in front. The company is his. If he's not there, the company is also not there. One of the difficulties that I had was having to go to the clients and not having the time; and whoever doesn't visit gets forgotten. Hence, you always have to be on top of events, knocking on the doors of clients when they're opening and when they're closing; and with age, I lost a little of this energy (…) I had to go and search for clients, imagine the client needs, discover what their needs were, even before they were able to realise. And this meant that I had to get out. You need time to engage with the clients, to get to know them, and for them to remember you at the time it comes to buying." (E3) • "… and it wasn't easy. On the one hand, being on the production side and on the other managing the company, speaking with clients, attracting them, speaking with suppliers, looking for suppliers, making the deliveries, etcetera." (E8) • "… micro-companies are those that go bankrupt the most because the company confuses the role of the owner with that of the worker. The manager is the leading worker in the company and holds responsibility for all of the dimensions of its management." (S) • "… objectives? Planning? No. We did what the client requested, whatever was necessary." (E10) • "… I only had one client who accounted for all the production. When he went under, I was dragged down as well." (E4) • "… the lack of my father, because having a business like mine was complicated because it was not a store business. I had to always be in the place of the client. The absence of my father changed the way of working for the worse because I had to stop being in the street for long enough to spend more time in the company and then things got complicated." (E3)
	Incapacity to adapt to change	• "… and, also, the relocation of the market to the periphery of the city, much further out, and people stopped gathering in the central zone, there was no longer that gathering of people. They began to disperse and go more to the hypermarkets that had opened in the meanwhile." (E1)
	Poor HR management	• "… The staff cannot do the things if you do not tell them what they have to do, how and when. Even to clean the dust, you pretty much have to tell them to do it. This limits everything, as we have to take responsibility for everything, be always thinking about

		everything at the same time, and you really can't delegate." (E7) • "… It's difficult to find staff who can do this work because it's very tiring and very detailed … I tried to get my sister to help me but that also didn't work out." (E8) • "… the staff, if they know too much, then they leave and take our clients with them and become the competition." (E11) • "… the employees cannot know as much as us; if they do, they leave and set up their own companies." (E12)
Entrepreneur	Personal characteristics that facilitate /prevent EF	• "… As regards risk, I'm very cautious. I try not to take too big a risk that I'm not able to control. I don't really take a step without knowing almost for certain that it's going to go well. If I'm worried, I look for other alternatives that give me more security." (E3) • "… people know that there is always a risk. But I'm averse to risk. I even consulted a lawyer before opening the company to reduce the risk by the maximum amount." (E2) • "… I'm not averse to risk but I do like to think things through before taking risks. I try and reduce the risk so that there are not more serious problems to come." (E5) • "… I'm not averse to risk but, in fact, risk does exist but the level of investment was low, and so if everything went badly, I would not really face any huge losses." (E6) • "… I'm of the idea that microentrepreneurs without the right education have no notion of risk. They do not think about what might happen." (S) • "…Yes, I think I'm an optimist and a realist as well. I'm an optimist but I think about things, and I evaluate. (E7) • "…Yes, an optimist and a realist." (E5) • "… I was an optimist but I'm not any longer." (E10) • "… When you're younger and things go well enough for you to be very optimistic but, afterwards, when we fall down a hole, the optimism disappears." (E14) • "… I'm more emotional than rational, very emotional." (E5) • "… Very emotional." (E8) • "… more emotional than rational." (E10) • "… much more emotional." (E10) • "… He is dishonest, everybody is pretty dishonest. I still haven't met anybody who was totally honest." (E3) • "… we understand that our values are not those that are prevailing. Nobody functions like us and in an environment in which everybody acts in a certain way, whoever is outside that scheme faces a lot of difficulties. But we cannot give up on what we believe in." (E5) • "… there have appeared people who set up companies for personal enrichment, without particularly bothering if this is going to cause problems to anybody. So, they manage things in dishonest ways because the objective is not to grow the company but only to get profits for the individual." (S) • "…Yes, I'm spiritual. Yes, this helped me go through all this. It provides some meaning to things. You think that if that's what happened then it had to be that way and even that it'll be better after. And it did all turn out better." (E8) • "… No. The recovery was done with time and with rationality. But it took time and was painful." (E5) • "… No, no, I do not consider myself at all spiritual." (E6) • "… I'm a spiritual person and always give some support. There's always that bellyache that stops annoying because the individual thinks God is great, that this is going to get better, that I'm a good person and, therefore, this is all going to work out. You open your eyes, look forward and see what the path is. And, is it going forwards or backwards? God helps but who has to get things done is me. Perhaps this helps morally! I believe so. This also helps recover from the loss." (E3) • "… I'm spiritual, which means I believe in God, and I think it helps to think that He is watching over us". (E10)

Financial consequences	Financial problems	• "... I was under pressure at the time; in May 2020, everything began to get complicated and from then on, there was a certain lack of direction, a period of four or five months in which the wage I was getting from my other job was not enough to cover the losses from my business. That's at a monthly level." (E6) • "... Not many financial problems because I had a job for 40h/week." (E2) • "... yes, it was complicated to get left without employment because I lived from it and did not have many savings. Thankfully, I had my husband, who was in employment, and I managed to find a job immediately after the pandemic. If I hadn't, I don't know what would've happened." (E13) • "... I was left with a lot of problems, especially financial and, after, the consequences of them. I had pretty brutal debts that I had to pay and so for this reason I had to emigrate." (E4) • "... I came out with loads of debts, especially to the state and the bank which forced me to go abroad to be able to pay them and so that they would not seize my wage." (E12) • "... It gave me some financial problems but, as my husband has a good wage, we were able to sort them out."(E13)
Emotional consequences	Emotional problems	• "... It was really difficult. It's seeing what you created fall to pieces, and we go with it. It really hurt and I was left very low, without the motivation to go to work." (E1) • "... there was so much despair. I didn't know what to do." (E9) • "...When I had to close, I was very sad, a lot of anguish, depression. It had been my life and now it was all down the drain ... It was difficult!" (E7) • "...You're never the same person after going through that type of thing." (E12) • "... I'm still not fine and it's now been over a decade. What happens is so bad. It hurts so much that you cannot forget. It changes you. Now, I'm another person." (E11) • "... It was horrible! Having my own salon was my dream and I never thought of having to close. The only satisfaction I can take is that it wasn't my fault. It was COVID. There was nothing I could do, but the pain remained, the disappointment, the loss of sleep ..." (E13) • "... it's horrible, there's such a very big internal sense of disappointment, a great emptiness because we cannot do what we wanted, what we like. And it was a well-known place, it was a really cruel thing to happen." (E1) • "... when you can't pay, you lose your friends, you lose your good name." (E14) • "... The family naturally also suffers the consequences and very often irrespective of the financial situation of the company." (S) • "... Part of the family behaved very badly and there were painful breakdowns, but my wife a fundamental support." (E3) • "... If it weren't for the support of my wife and my children, I don't know whether I would've coped" (E4) • "... At the time, it was difficult because a company failure impacts across many levels. Because we feel that the other persons, those who are by our side, make us pay for this, especially parents, the family, they hold us responsible for this. It took a lot of time, perhaps about eight years, until the situation completely calmed down." (E2) • "... Emotionally, it was strong. To get my calm back took many years. That closed in 2010 and I remember that the first time I went back to the restaurant it was already 2018. That was the point when I consider I'd got over the problem." (E2)
	Psychological problems	• "... from the personal point of view, it's very bad. You suffer a lot, you've got a bad image, especially in small towns where everybody knows each other." (E4) • "... when they enter into insolvency processes, they get disillusioned, go down, and feel they are failures. After, they're left with debts, a bad reputation in the rest of society. They participate in networks in which everybody knows each other. They know their suppliers personally, that is, this is not a company that has the signature of a manager who nobody knows. It's that manager who meets the supplier and makes the order. Once again, this is the confusion between the person and the company." (S) • "... a person loses their appetite, does not sleep, afflicted, with a lot of anger. I didn't do anything to deserve this. After deciding to

	close, things improved but, even so, there is still a very bad sensation, a pain inside …" (E13) • "… I felt completely depressed and disillusioned, 1000%. I felt rage towards the state." (E6) • "… I became very anxious. I took over two years to recover, and it was because I got lucky and I found another job that I like very much." (E7)
Physical problems	• "… my husband began to lose his hair; he could not sleep." (E5) • "… The diabetes got out of control, I didn't sleep, put on weight." (E3) • "… I got high blood pressure." (E7)
Family issues	• "When X went to Africa, it was really tough. On one hand, the kids, although they understood what was happening, missed their father a lot. He had difficulty adapting. I had to keep things running, and life changed a lot. Until then, I hadn't needed to drive, and suddenly I had to take care of everything and get my driver's license. There were debts to pay, and although X's salary was good, there was little left at the end of the month. Sometimes, I felt like throwing everything away and disappearing. It was really complicated! But fortunately, we managed to overcome it, and things are slowly returning to normal. But it has been over 10 years since all of this started…" (F-E4) • "Throughout one year, we were putting our money into the company, and this affected the family because there was less for the household budget." (E2) • "Without my wife, I don't know if I could have solved the problem. She helped me think when I couldn't and then she was there for me. She gave me the feeling of not being alone, listened to me, and gave me reasons to move forward." (E3) • "M felt really down when she had to close the store, and I had to support her. I had to be there for her, otherwise she wouldn't have been able to cope. I had to make her feel that she wasn't alone and that she had my support. I want to believe that this was important, and even so, it took a while for her to get back to how she was before."(F-E1) • "…when you can't pay, you lose your wife, your friends, your good name…you lose everything"(E14) • "Very often, the other party does not accept being involved in that situation, which leads to divorce … "(S) • "…The family naturally also suffers the consequences, and often they were unaware of the company's economic situation. This greatly complicates the problem because families are caught by surprise, on one hand, and on the other, they feel betrayed, deceived, and often do not forgive, resulting in cases where marriages end in divorce."(S) • "It was very difficult to maintain my sanity, and even more so for him. I am not willing to go through the same situation again, ever. The stress is too much, and it takes such a toll on our health that I can't fathom repeating it."(F)

Appendix 3D

Attributed Causes of Failure

Entrepreneurs	CAUSE OF FAILURE ATTRIBUTED	
	By the entrepreneur	**By the family (F) or solicitor (S)**
E1	Sharp reduction in sales due to a drop in client purchasing power.	Agrees (F)
E2	Lack of understanding between partners and excessively high expenses unbalanced the accounts.	Agrees (F)
E3	Incapacity to reorganise the company following the father's death (partner); age and tiredness; and drop in turnover, client debts, very high taxes.	Agrees (F)
E4	There was only one client, and EF took place when they stopped paying.	Lack of basic competencies in management and irresponsibility (F)
E5	Problems with the partner that choked the company through almost doubling the price.	Agrees (F)
E6	COVID-19	—
E7	Drop in client purchasing power	—
E8	Lack of competent staff	Agrees, and adds lack of basic competencies in management and analysis (F)
E9	Reduction in turnover; demands of banks	Agrees, and adds lack of basic competencies in management and analysis (S)
E10	Rise in client debts, demands of banks, lack of work	Agrees, and adds lack of basic competencies in management and analysis (S)
E11	Rise in client debts and lack of work	Agrees, and adds lack of basic competencies in management and analysis (S)
E12	Rise in client debts, demands of banks and lack of work	Agrees, and adds lack of basic competencies in management and analysis (S)
E13	COVID-19	—
E14	Drop in the number of clients and consequently of work	Agrees, and adds lack of basic competencies in management and analysis (S)
E15	COVID-19	—
E16	COVID-19	—

Appendix 4A

Representative citations (Essay #3)

	Dimensions	Themes	Representative citations
BEFORE EF	Management and finance	Market	"I had to imagine the customer's need, I had to discover their need before they did." (R3) "I learned that there are situations where markets change..." (R5)
		Business	"I learned a lot. I put into practice the knowledge I had acquired in college and was able to conclude that practical reality is very different from what we learn at a theoretical level. I had a real accounting and taxation wake-up call." (R6) "I learned to manage money, to control where it comes from, where it goes, and how much is left." (R3) "I realized that not all companies operate according to our values, I lost some of the idealism I had." (R5) "I learned that competition can be lethal, hypermarkets contributed to our failure." (R1) "I learned to deal with many things simultaneously." (R5) "The customers, hotels, restaurants, and shops, want to have handmade artisan products at industrial product prices. It is not possible." (R8) "You also learn from experience, to do things on your own." (R14) "I learned about everything, from setting up a salon to doing, buying, and managing the accounts. You learn a lot by working." (R13) "I learned about the technical aspects of beer and a bit more about marketing." (R6)
	Social	The others	"I learned to manage relationships with suppliers and customers, each of them having their own demands. I also realized who I can trust, especially in terms of family." (R3) "Managing relationships with people is complicated. It is discussed at a theoretical level during the degree, but it is only through first-hand experience that one can truly understand how challenging it can be." (R6) "I learned how to manage people's frustrations." (R5)
	Psychological	The Self	"I learned a lot about myself. It was a school of life. I grew tremendously." (R3) "I became aware of the skills I have and the ones I lack." (R5)
DURING EF	Management and finance	Business	"For this sector, government support, even without a pandemic, is zero." (R6) "There is no government support. They don't care; they just want us to pay taxes." (R10)
	Psychological	The Self	"...I learned that I will never get involved in another [venture] again. It was very tough, and there are no guarantees." (R11) "...with failure, I didn't learn anything except that you can't be an entrepreneur in Portugal; when there are problems, we are alone." (R6) "...it brings intellectual, physical, and emotional exhaustion that clouds the person's reasoning, preventing them from thinking and learning anything." (S) "I realized during this process that age weighs heavily, I lost the will and the ability to make an effort." (R3)

			"I learned a lot about myself, I got to know myself better, to understand how I react. We don't have a real sense of it until we are actually experiencing the situation, how we react, what abilities we have." (R1)
	Social	The others	"I learned that it is very important to see the team we have." (R2) "I saw who my friends are." (R10) "I got to see who my friends are and what kind of family I have." (R4)
AFTER EF	Management and finance	Business	"Depois de o pior passar percebi melhor o que era o meu negócio. Um abanão deste tamanho faz-nos pensar, mas agora já é tarde" (R12) "Ao principio pensava que quem sai da faculdade tem muita teoria, mas depois não sabe nada da prática. Mas depois de tudo o que aconteceu, e tendo falado com algumas pessoas, percebi que se tivesse contratado alguém ou feito alguma formação em gestão, talvez tivesse conseguido resolver a situação" (R3) "Percebi claramente que não podemos ter apenas um cliente. É um risco muito grande que não na altura não vi, não pensei..." (R4) "Aprendi que não geri a minha empresa, deixei andar, só me preocupei com o trabalho que fazia, aquilo que o cliente comprava. Mas é preciso gerir muita coisa numa empresa, a começar pelo dinheiro, os prazos, ..." (R12) "Acho que não tenho jeito para ter uma empresa. É preciso coisas que não tenho, é preciso gastar muito tempo em coisas que não gosto, porque o que eu gosto mesmo de fazer é chocolate, é inventar receitas. Não gosto de ter de me preocupar com fornecedores, e muito menos com clientes. Foi pena só ter aprendido agora" (R6)
	Psychological	The Self	"Agora, depois de passar o pesadelo é que consigo pensar e ver melhor como sou. Tinha a mania que dominava tudo, mas percebi que não. E isso custa muito." (R11) "Olhando para trás, até acho que consegui resolver bem o problema, com muito bom senso, com calma. Percebi que sou mais resiliente do que supunha" (R3) "Só agora, à distancia, quando tudo já passou e o problema está resolvido é que se consegue pensar melhor no que passou, no que fizemos e como devíamos ter feito. Percebi que não tenho capacidade para ter uma empresa minha, agora é trabalhar para outro até à reforma" (R10) "Só quando tudo passa é que temos cabeça para analisar o que se passou. Agoira que estou bem, às vezes ponho-me a pensar no que fiz, como reagi e acho que me conheço melhor agora. O desespero acaba por nos fazer pensar, mas só depois de passar, porque durante é impossível." (R14)

Appendix 5A

Representative citations (Essay #4)

DIMENSIONS		THEMES	REPRESENTATIVE RESPONSES
BEGINNING OF VENTURE	ENTHUSIASM	Creativity	"I went to do training in the US and it was a week of immense learning, it was spectacular. After, when I arrived in Portugal, I thought I would conquer the world, that I would be the first professional organizer in Portugal, and there was a lot of optimism, a notion that I would be able to do this and that idea, if you give me this opportunity, I'll be able to deal well with people." (E)
		Market	"When opening, there was no thought about things going wrong. The enthusiasm was so great. We thought the company had the space to survive." (C) "At the beginning, we were full of enthusiasm. We always thought everything would go well. We made market studies, we thought about everything and we concluded that the project was viable." (E)
		Personality	"When I opened, I had no fear." (A) "At the beginning, there was a lot of euphoria. A lot of adrenalin that made sure we got things going." (B) "When opening a company, you never think it's going to go wrong. You always think you'll be successful." (D) "The enthusiasm at the beginning is always great. Various people, including those close to my circle were always raising problems but I had the thing so well studied, so well worked that I closed my eyes and threw myself in headfirst." (F)
DURING THE BUSINESS VENTURE	LATENT FEAR	Client	"…Drop in turnover after the opening of the hypermarkets." (A) "…many clients did not pay me and refused to pay saying that the debt was not theirs but belonged to the company and as this had gone bankrupt!…The drop in turnover began rising and became dramatic." (C) "… the client that I was working for began to have problems and I suffered as a consequence. He stopped paying and so did I." (D) "The clients are complicated as we sold to hotels and stores and they always want very low prices, everything for tomorrow and it's sometimes difficult to manage. Our chocolates were artisan, made by hand and competing with industry is very difficult because there are clients that do not understand the difference and want things done by hand at the price made industrially in their thousands." (H)
		Technology Organisational culture	"From the point of view of technology, the Internet changed everything. It was easier to sell before." (C) "The management was not understood by the other partners and this made things difficult and jeopardised the success." (B) "There has to be organisation to ensure having time to create, produce and to manage." (H)
		Market	"Before, there was exclusivity. Afterwards, this was lost with the opening up of the market and we lost exclusive representation of certain brands. From the moment when there was a free market, the companies were themselves competing with the representatives. And as micro-companies, we had no voice." (C)
		Politics	"After, there is the problems of taxes. The taxation is brutal: over 40% of profit is consumed by taxes. The state pays badly." (C) "Another problem is the taxes as they choke you because the client wants to pay the minimum, to get the work as they are little, they crush the margins and

			the cost of labour at this moment is very high with IRS and Social Security charges. The client portfolio is small and they don't pay according to schedule." (S)
		Legal	"There is also the problem with the justice system. No problem was ever resolved through the justice system." (C)
		Generic	"..., but, immediately after, there is that fear that something is going wrong. You don't think much about it but it's there and conditions you to a certain extent." (A) "I didn't have much fear because I always thought that had to work out, that everything had to work out well and I had to strive to do everything possible for this to happen. Therefore, the interference in the activity was in the subconscious." (B) "There was always that fear that something would go wrong but I knew I had the capacity to turn it around. I even think it's this fear that makes us advance. That leads us to do things, that is always thinking, resolving and anticipating the problems to resolve them before they arrive. We may say this is healthy fear." (C) "What did I most fear? This type of business is cyclical. Indeed, everything is cyclical, everything has its own life cycle." (F "There is always the fear of not being able, especially after opening and things start up. It's very difficult because up until installing the factory, we did a business plan in which everything was thought through and everything calculated. But afterwards, in the daily events, the things are not always equal to those planned. As time began passing and we had to pay the loan, and I was scared, yes. We didn't want to be left with debts to pay." (H) "During the activity, there is always fear. After that initial phase, when we get into the daily affairs of a business in which we have employees who depend on us and who we also depend on in the business. Fear of not being able to make it to a safe harbour. Fear that something will happen and it did happen!" (J) "(...) but afterwards, you always end up having some fear that something is going to go wrong but there's also not much time to think about this, we have the work to do." (L)
DURING EF	EXPLICIT FEAR	Debts	"Fear comes when the things begin going badly and thinking that we'll not have the cash to pay the staff, generated a lot of fear. This created some very deep fears and being left with debts to the state was also complicated, hence the fear of not having enough to be able to pay for everything." (A) "There was the fear of running up debts, not having the means of paying employees, the taxes and, when clients do not pay or don't buy, it's very complicated. Especially as I had to pay VAT before receiving and, on occasion, it was the state that was not paying but demanded I pay the VAT on time." (C) "fear of not being able to pay my bills, the employees, the state. And we took out a loan and went ever further deeper. and the despair rises and when we've got children to care for, who depend on us, it's very, very complicated." (D)
		Family	"... my wife, my father and my brother as well, helped me in what they could." (D) "The family naturally also suffered the consequences. Very often, the other partner does not accept getting involved in that situation, which leads to divorces, diseases, depressions, nervous breakdowns on account of not sleeping, strokes, ..." (S)
		Institutions/ state	"... in this country, it's very difficult to have a company and a micro-company is even more difficult. There is no respect for owners. He's seen as the bad guy. It was this that led me to sell the company." (C) "I got disillusioned and very furious with this government that does not support entrepreneurship. (...) the support instruments that the government provided, for whoever had their own company and was in the terrain were negligible. They served for absolutely nothing." (F)

RE-ENTRANCE	EXPLICIT FEAR	State	"… there's no support whatsoever. There's nothing. And now there is unemployment benefit for business owners because there wasn't anything at that time. Owners are looked down on by the state, no rights to anything, just obligations." (A) "Never again. In this country, it's difficult to open businesses. There are so many problems that at my age it's no longer attractive. It's not worthwhile. In Portugal, the entrepreneurs with small companies, do not get helped, there's enormous difficulties in getting things working and you feel completely alone. If any problems arise, even when I don't have any guilt and they are situations individuals cannot control, with COVID-19 or the 2010 recession. We've got not means of avoiding them and the state complicates our lives even more because instead of supporting, they raise the taxes and the obligations, the state itself does not pay, does not comply with what it said but penalises the small entrepreneurs, as if they had all the blame and deserve some punishment." (C) "… I'm not going to get involved in another. We don't have the environment at the national level. The pandemic made that perfectly clear but I think that entrepreneurs are exposed in so many situations… whether at the level of taxes, support, financing, the difficulties in doing business. It's about consulting rankings and you'll see the weight of taxes on the labour situation, taxes on profits, we have an average fiscal burden on profit of 34 or 35%, we're the highest in Europe, we've got the worst labour legislation of all companies in the OECD." (F)
		Family	"… I opened a sole trader company. At my age, I'm very old to work and very young to retire. Well, as I didn't have enough money, there needs to be a solution. And I had support from my family that gave me the courage to advance." (B) "I opened another company. Always with the unconditional support of my husband and wanted to go forwards." (E)
		Personality	"…I've not got the age or the will to open another company." (A). "…Fear always exists. What I've learned to do is to overcome the fear. (B) "I wasn't scared but I'm also not at an age for restarting and, as I didn't have to, I had no fear. If it weren't that way, I perhaps would have, I don't know." (C) "I'll never get involved in another. Enough of such problems." (D)

Appendix 6A

ESTUDO DAS EMOÇÕES DOS EMPRESÁRIOS

O meu nome é Paula Lemos Costa, sou professora no ISCAP/IPP e doutoranda em Gestão, na UBI. Estou a fazer um estudo sobre as emoções dos empresários para tentar perceber qual o impacto das suas emoções, positivas e negativas, na forma como avaliam e se posicionam face ao risco. Agradecia a sua ajuda respondendo a este questionário que é ANÓNIMO, sendo completamente impossível identificar os respondentes.

As respostas devem ser dadas rapidamente, sem pensar muito, baseando-se apenas no sentimento que a leitura das frases suscita. Não há por isso respostas corretas ou incorretas. O tempo de resposta situa-se entre os 5 e os 10 minutos. Muito obrigada pela sua participação!

1.1. Caracterização da organização:

- Ano de criação da organização: _____
- Setor de atividade: Serviços ☐

Indústria ☐

Outro ☐ Qual?_____

- Nº de trabalhadores: _____
- Localização da sede da empresa: Distrito: _____

1.2. Caracterização do respondente:

1- Idade: ..... _____ anos
2- Género: ..... F ☐ M ☐
3- Estado civil: .... Solteiro(a) ☐..
Casado/união de facto ☐..=> O seu cônjuge tem rendimentos próprios? Sim: ☐ Não: ☐
Divorciado ☐
Viúvo(a) ☐

4-Tem filhos?..... Sim: ☐.. Não: ☐..

5-Nível de Educação: Básico (4º ano) ☐
Básico (9º ano) ☐
Secundário: ☐
Licenciatura: ☐
Mestrado: ☐
Doutoramento: ☐

6-Criou alguma empresa anteriormente? ..... Não ☐ Sim ☐
6.1-Se sim, alguma delas faliu ou fechou? ..... Não ☐ Sim ☐
6.1.1-Se sim, as consequências financeiras foram: 1 2 3 4 5 6 7 8 9 10

(1: Nada graves a **10**: Muito graves)

6.1.2-Considera que o que aprendeu com esse problema Sim: ☐.. Não: ☐.

contribuiu para o sucesso da empresa atual? .....

7- De acordo com os dados de que dispõe hoje, como pensa que a sua empresa estará dentro de um ano?	1	2	3	4	5	6	7	8	9	10

(1- já não existe a **10**- estará muito melhor do que hoje)

2. Avaliação do medo

Todos já sentimos medo e sabemos que ele influencia as nossas decisões.

Apresento-lhe um conjunto de afirmações. Até que ponto correspondem ao que tem sentido nos últimos meses? (rodeie o valor escolhido)

Nos últimos meses, tenho tido medo de...	1 – sem medo									10 – com m^{to} medo
1... de perder tudo o que investi no negócio	1	2	3	4	5	6	7	8	9	10
2... de não ter tempo suficiente para passar com minha família e amigos	1	2	3	4	5	6	7	8	9	10
3... de não conseguir pagar as despesas (fornecedores, colaboradores, etc.)	1	2	3	4	5	6	7	8	9	10
4... de que ninguém esteja interessado no meu produto/serviço	1	2	3	4	5	6	7	8	9	10
5... de não ser capaz de gerir as pessoas de forma eficaz .	1	2	3	4	5	6	7	8	9	10
6... de perder todas as minhas economias	1	2	3	4	5	6	7	8	9	10
7... de não corresponder às expectativas que os outros têm sobre mim	1	2	3	4	5	6	7	8	9	10
8... de ficar sem dinheiro	1	2	3	4	5	6	7	8	9	10
9... de perder a confiança das pessoas que são importantes para mim	1	2	3	4	5	6	7	8	9	10
10... de que gerir o negócio esteja a tirar-me tempo para outras atividades	1	2	3	4	5	6	7	8	9	10
11... de não conseguir financiar o negócio	1	2	3	4	5	6	7	8	9	10
12...de perder eventos importantes da minha vida por causa do meu negócio	1	2	3	4	5	6	7	8	9	10
13... de não poder cumprir com todos os papéis que este trabalho exige	1	2	3	4	5	6	7	8	9	10
14... de não ser capaz de gerir o negócio de forma eficaz	1	2	3	4	5	6	7	8	9	10
15... de esta não ser uma ideia de negócio com valor	1	2	3	4	5	6	7	8	9	10
16... de dececionar as pessoas que são importantes para mim	1	2	3	4	5	6	7	8	9	10
17... de não haver necessidade para o nosso produto/serviço no mercado	1	2	3	4	5	6	7	8	9	10
18...de não obter financiamento suficiente para levar a empresa adiante	1	2	3	4	5	6	7	8	9	10

3. Avaliação do bem-estar

O seu bem-estar também pode interferir na sua forma de atuar.

Apresento-lhe um conjunto de afirmações. Até que ponto correspondem ao que tem sentido nos últimos meses? (rodeie o valor escolhido)

	1: Discordo totalmente									10: Concordo totalmente
1. Gosto de ser como sou	1	2	3	4	5	6	7	8	9	10
2.Quando olho para trás, fico contente com a forma como as coisas aconteceram até agora na minha vida	1	2	3	4	5	6	7	8	9	10
3. A algumas pessoas falta um rumo para a sua vida, mas eu não sou uma dessas pessoas	1	2	3	4	5	6	7	8	9	10
4.As exigências da vida quotidiana deixam-me frequentemente em baixo	1	2	3	4	5	6	7	8	9	10
5. Sinto-me desapontado(a) com o que consegui durante a minha vida até hoje	1	2	3	4	5	6	7	8	9	10
6. Sinto-me frustrado(a) porque me é difícil manter relacionamentos próximos	1	2	3	4	5	6	7	8	9	10
7. Vivo um dia de cada vez e não penso muito no futuro	1	2	3	4	5	6	7	8	9	10
8. Em geral, sinto-me responsável pela situação em que vivo	1	2	3	4	5	6	7	8	9	10
9. Considero que sei gerir bem as responsabilidades do dia a dia	1	2	3	4	5	6	7	8	9	10
10. Às vezes sinto como se já tivesse feito tudo o que há para fazer na vida	1	2	3	4	5	6	7	8	9	10
11. Para mim, a vida tem sido um processo contínuo de aprendizagem, mudança e crescimento	1	2	3	4	5	6	7	8	9	10
12. Acho importante ter novas experiências que desafiem a forma como penso sobre mim e sobre o mundo	1	2	3	4	5	6	7	8	9	10
13. As pessoas descrevem-me como sendo uma pessoa generosa e disposta a partilhar o meu tempo com os outros	1	2	3	4	5	6	7	8	9	10
14. Há muito tempo que desisti de tentar fazer grandes melhorias ou mudanças na minha vida	1	2	3	4	5	6	7	8	9	10
15. Sou facilmente influenciável por pessoas com opiniões fortes	1	2	3	4	5	6	7	8	9	10
16. Nunca tive relacionamentos muito calorosos e de confiança com os outros	1	2	3	4	5	6	7	8	9	10
17. Confio nas minhas próprias opiniões, mesmo que sejam diferentes das da maioria das outras pessoas	1	2	3	4	5	6	7	8	9	10
18. Julgo-me pelos meus valores, não pelos valores dos outros	1	2	3	4	5	6	7	8	9	10

4. Avaliação da propensão para o risco e da avaliação do risco

Em situações em que existe incerteza sobre o resultado ou as consequências e para as quais existe a possibilidade de consequências negativas, as pessoas costumam considerá-las como tendo algum risco.

4.1. No entanto, o risco é uma noção muito pessoal e intuitiva. Gostaria que avaliasse de forma intuitiva o quão arriscada é cada situação ou comportamento que se seguem. Para cada uma das seguintes afirmações, indique o quão arriscado você percebe cada situação. Classifique de 1- Sem risco nenhum a 10- Com risco extremo.

	1- Sem risco									10- Com risco extremo
1.Admitir que os meus gostos diferem dos de outras pessoas	1	2	3	4	5	6	7	8	9	10
2. Ir acampar num local selvagem	1	2	3	4	5	6	7	8	9	10
3. Apostar o ordenado de um mês num jogo de azar	1	2	3	4	5	6	7	8	9	10
4. Investir 10% do meu rendimento anual num fundo de crescimento moderado	1	2	3	4	5	6	7	8	9	10
5. Beber demasiado álcool em contexto social	1	2	3	4	5	6	7	8	9	10
6. Fazer deduções questionáveis na declaração de IRS	1	2	3	4	5	6	7	8	9	10
7.Entrar em desacordo com uma autoridade num assunto importante	1	2	3	4	5	6	7	8	9	10
8.Apostar o ordenado de um mês num jogo de azar de apostas altas	1	2	3	4	5	6	7	8	9	10
9.Ter um caso amoroso com uma pessoa casada	1	2	3	4	5	6	7	8	9	10
10.Assumir o trabalho de uma outra pessoa como sendo meu	1	2	3	4	5	6	7	8	9	10
11. Descer uma pista de ski que está para além da minha capacidade	1	2	3	4	5	6	7	8	9	10
12. Investir 5% do meu rendimento anual em ações muito especulativas	1	2	3	4	5	6	7	8	9	10
13. Praticar rafting em águas revoltas	1	2	3	4	5	6	7	8	9	10
14. Apostar o rendimento de um mês no resultado de um evento desportivo	1	2	3	4	5	6	7	8	9	10
15 Praticar sexo desprotegido	1	2	3	4	5	6	7	8	9	10
16. Revelar o segredo de um amigo a alguém	1	2	3	4	5	6	7	8	9	10
17. Conduzir sem cinto de segurança	1	2	3	4	5	6	7	8	9	10
18. Investir 10% do rendimento anual num negócio novo ..	1	2	3	4	5	6	7	8	9	10
19. Ter uma aula de paraquedismo	1	2	3	4	5	6	7	8	9	10
20. Andar de moto sem capacete	1	2	3	4	5	6	7	8	9	10
21. Escolher uma carreira de que gosto realmente em vez de uma que me ofereça maior segurança	1	2	3	4	5	6	7	8	9	10
22. Dizer o que penso sobre um assunto impopular numa reunião de trabalho	1	2	3	4	5	6	7	8	9	10
23. Tomar banhos de sol sem protetor solar	1	2	3	4	5	6	7	8	9	10
24. Fazer *bungee jumping* (saltar de uma ponte alta, amarrado pelos tornozelos ou pela cintura a uma corda elástica)	1	2	3	4	5	6	7	8	9	10
25. Pilotar um pequeno avião	1	2	3	4	5	6	7	8	9	10
26. Andar sozinho(a) à noite numa zona insegura da cidade	1	2	3	4	5	6	7	8	9	10
27. Mudar-me para longe da minha família alargada	1	2	3	4	5	6	7	8	9	10
28. Iniciar uma nova carreira profissional entre os 30 e os 40 anos	1	2	3	4	5	6	7	8	9	10
29. Deixar os meus filhos pequenos sozinhos em casa enquanto vou fazer alguma coisa fora de casa durante 1 hora ou mais.	1	2	3	4	5	6	7	8	9	10
30. Não devolver uma carteira que encontrei com €200	1	2	3	4	5	6	7	8	9	10

4.2. Para cada uma das seguintes afirmações, indique a probabilidade de se envolver na atividade ou comportamento descritos, se se encontrasse nessa situação. Classifique de: 1- extremamente improvável a 10- extremamente provável

	1- extremamente improvável 10- extremamente provável									
1.Admitir que os meus gostos diferem dos de outras pessoas	1	2	3	4	5	6	7	8	9	10
2. Ir acampar num local selvagem	1	2	3	4	5	6	7	8	9	10
3. Apostar o ordenado de um mês num jogo de azar	1	2	3	4	5	6	7	8	9	10
4. Investir 10% do meu rendimento anual num fundo de crescimento moderado	1	2	3	4	5	6	7	8	9	10
5. Beber demasiado álcool em contexto social	1	2	3	4	5	6	7	8	9	10
6. Fazer deduções questionáveis na declaração de IRS	1	2	3	4	5	6	7	8	9	10
7.Entrar em desacordo com uma autoridade num assunto importante	1	2	3	4	5	6	7	8	9	10
8.Apostar o ordenado de um mês num jogo de azar de apostas altas	1	2	3	4	5	6	7	8	9	10
9.Ter um caso amoroso com uma pessoa casada	1	2	3	4	5	6	7	8	9	10
10.Assumir o trabalho de uma outra pessoa como sendo meu	1	2	3	4	5	6	7	8	9	10
11. Descer uma pista de ski que está para além da minha capacidade	1	2	3	4	5	6	7	8	9	10
12. Investir 5% do meu rendimento anual em ações muito especulativas	1	2	3	4	5	6	7	8	9	10
13. Praticar rafting em águas revoltas	1	2	3	4	5	6	7	8	9	10
14. Apostar o rendimento de um mês no resultado de um evento desportivo	1	2	3	4	5	6	7	8	9	10
15 Praticar sexo desprotegido	1	2	3	4	5	6	7	8	9	10
16. Revelar o segredo de um amigo a alguém	1	2	3	4	5	6	7	8	9	10
17. Conduzir sem cinto de segurança	1	2	3	4	5	6	7	8	9	10
18. Investir 10% do rendimento anual num negócio novo ..	1	2	3	4	5	6	7	8	9	10
19. Ter uma aula de paraquedismo	1	2	3	4	5	6	7	8	9	10
20. Andar de moto sem capacete	1	2	3	4	5	6	7	8	9	10
21. Escolher uma carreira de que gosto realmente em vez de uma que me ofereça maior segurança	1	2	3	4	5	6	7	8	9	10
22. Dizer o que penso sobre um assunto impopular numa reunião de trabalho	1	2	3	4	5	6	7	8	9	10
23. Tomar banhos de sol sem protetor solar	1	2	3	4	5	6	7	8	9	10
24. Fazer *bungee jumping* (saltar de uma ponte alta, amarrado pelos tornozelos ou pela cintura a uma corda elástica)	1	2	3	4	5	6	7	8	9	10
25. Pilotar um pequeno avião	1	2	3	4	5	6	7	8	9	10
26. Andar sozinho(a) à noite numa zona insegura da cidade	1	2	3	4	5	6	7	8	9	10
27. Mudar-me para longe da minha família alargada	1	2	3	4	5	6	7	8	9	10
28. Iniciar uma nova carreira profissional entre os 30 e os 40 anos	1	2	3	4	5	6	7	8	9	10
29. Deixar os meus filhos pequenos sozinhos em casa enquanto vou fazer alguma coisa fora de casa durante 1 hora ou mais.	1	2	3	4	5	6	7	8	9	10
30. Não devolver uma carteira que encontrei com €200 ….	1	2	3	4	5	6	7	8	9	10