Entrepreneurial Coping
Entrepreneurial Reactions and Coping Methods towards failure

Bachelor's Thesis within Business Administration: Entrepreneurship
AUTHORS: SENADA PECIKOZA 840926-3624
ivan villagomez garcia 851128-T050
jorge pac yurrita 841121-8111
TUTOR: anna jenkins
JÖNKÖPING 01.13.2009
Acknowledgements

First of all, the members of this team would like to thank Anna Jenkins for her unconditional help provided to us throughout the whole process. Secondly, we would like to thank the five entrepreneurs who contributed to this research by sharing their experiences with us. They were the ones who made this research possible. Last but not least, we would like to thank our classmates who contributed to this research by providing us with their feedback.

Ivan Villagomez Garcia
Senada Pecikoza
Jorge Pac Yurrita

Jönköping International Business School, January 2009
Abstract

An entrepreneur is an innovator, someone who transforms innovations and ideas into economically viable entities; independent on whether in the process she creates or operates a firm (Baumol 1993). When these firms are created however, sometimes they do not achieve a viable sustainability; they often face problems and are forced to go bankrupt. When Bankruptcy occurs the entrepreneur is logically affected not only economically but also mentally and emotionally. Different situations have different effects on the entrepreneur’s emotions.

Lazarus’ Cognitive Appraisal Theory states that when faced with a problem or situation people "appraise" or perceive it in different ways. The Primary Appraisal happens when the entrepreneur first comes into the realization of the problem; she can view it differently, either as an event that deserves indifference, an opportunity, or as a harmful threat. The Secondary Appraisal happens when the entrepreneur analyses what resources he has available and what strategy he will proceed to use in order to tackle the situation. Furthermore, during the course of the situation the entrepreneur may come into the realization of new information that might change his way of perceiving things, this is called an Appraisal. The Cognitive Appraisal Theory is closely linked to the Coping Theory which talks about how entrepreneurs "cope" or deal emotionally with their adversities. Coping can be divided into two types, Problem focused and Emotion focused Coping. Problem focused coping intents on coming up with viable and practical solutions to improve the situation, whereas Emotion focused intends on externalizing the blame and reacting with a worsened emotional state that does not help the situation in the long run.

This report is an exploratory research and bases its empirical data on the case study approach of five different cases of entrepreneurs leaving in Sweden who had the experience of engaging in an enterprise that ended up in bankruptcy. During the course of this investigation a qualitative method was used and the empirical findings where gathered by engaging in interviews that were later analyzed and correlated with the theoretical framework.

In the Analysis we take apart the information gathered in the interviews and try to
correlate the events to the theories while at the same time striving to find similarities or
differences between the subjects. We also try to find patterns that may help us understand
more about the subject and finally allows us to address the problem and achieve the
purpose of this report which is to understand how an entrepreneur copes when faced with
a business failure.

In our conclusion we came to the realization that people tend to follow specific patterns of
emotional reaction that concretely support the pre established theories. This report serves
as a base or foundation of a tool for entrepreneurs. We find that if entrepreneurs had
previous knowledge of ways to deal with failure they might be more prompt to avoid it
entirely and consequently this can be an invaluable tool for them.
1 Introduction

This first section will present the purpose of this study as well as the background of the subject. This includes a presentation of the research questions that need to be answered and also a description of the most important definitions that will be covered. There will be a main focus on the importance of a research on this field of study.

Throughout time defining what an entrepreneur is has been greatly debated (Whickam 2004). This is not because definitions are scarce but rather because there a vast amount of them and agreeing to a general definition has been hard to achieve (Whickam 2004). What we do know is that entrepreneurs contribute to society in different ways. Their activities help boost the economy by creating new jobs and inspiring opportunities for new ventures looking for a chance to succeed (Davidsson 2006). Society itself needs to encourage the constant emergence of entrepreneurs because as long as this happens it can lead to an increase in economic growth (Davidsson 2006). The advantage of doing more research on entrepreneurial failure is that it will provide further knowledge on how entrepreneurs can cope with failure and what their main coping reactions are when faced with this adversity.

The focus of this study is to explore how entrepreneurs cope with the failure. It is evident that there is very little research done on the subjects of Entrepreneurial Failure and the Coping Process that those afflicted by a failure have been subjected to (Lazarus 1999). For this reason this research is important as it will be shedding some light into this matter. By doing this, the findings derived from it will contribute by providing a bigger insight on this topic. It is also a small part of a bigger doctoral research which has a more broad approach on the topic of Entrepreneurial Failure. Our findings will be used as data collection with a focus on the sub topic of Coping.

It is known that many successful entrepreneurs have at some point dealt with failure (Smith 2004). However, this is an advantage for this research due to vast amount of opportunity to provide further insight to this unexplored topic. Lastly, this study will focus on the perceptions entrepreneurs have of failure whether it is perceived as positive or negative from the entrepreneurs’ perspective. This subject is especially interesting because it can give new insights on what it means to cope with failure. It is for this reasons that we find the coping process of entrepreneurship motivating to explore.

1.1 Background

Whickam (2004) states that “Entrepreneurs are significant because they have an important effect on world economies”. But what exactly is an Entrepreneur? It has been debated what the exact definition of an entrepreneur is, however a consensus has never been
reached as there are countless definitions out there. In this research we will use the definition of an entrepreneur as an innovator, someone who transforms innovations and ideas into economically viable entities; independent on whether in the process she creates or operates a firm (Baumol 1993).

It is every entrepreneur’s dream to make his or her venture successful and be able to profit in different ways from it. Since there are individual differences between entrepreneurs, each decides its own goals towards the new venture. These goals can mean to profit from it in different ways, such as: financially, emotionally, etc. When this happens the effects are positive. Monetary and emotional success consequential bring happiness to the individual and all those engaged in the venture (i.e. workers, and society as a whole), as well as enhancing the local economy and creating new value (Whickam 2004). However, it is known that successful business ventures are not always the case. In a study carried out by Delmar and Shane in 2004, they proceeded to investigate how many Swedish startups avoid bankruptcy. Their study showed that out of 232 startups, 82 were disbanded (Bankrupt) within the first 30 months (Davidsson 2006).

Current available research on the entrepreneurship topic tends to explore the success of entrepreneurship (Whickam 2004), whereas little research has been done on failure and how that affects the entrepreneur (Lazarus 1999). The lack of information regarding this topic can be a disadvantage to the entrepreneur due to the vast amount of apprehension that exists towards experiencing a failing experience. It can be quite frightening for an entrepreneur, especially since it is a field without little to none knowledge on how they can cope with failure. This research will intend to provide a bigger understanding of the coping process when facing bankruptcy.

1.1.1 Definitions

To understand the report it is important to understand the meaning of different definitions we will use in our study.

**Coping:** In this context Coping has been defined as a “description of what must be done to keep his or her life at a reasonably high level of satisfaction” (Snyder 2001.) For our purpose, Snyder’s definition of coping is appropriate since it indicates how the person perceives her situation.

**Stressor:** On this study, stressor is identified as a stimulus that an individual perceives as challenging, threatening, or demanding.

**Threat:** The feeling that a person gets when expecting harm or loss (Lazarus & Folkman 1984).

**Failure:** A situation in which someone or something does not succeed (Smith 2004). However in this study, failure will be defined simply as bankruptcy.

**Entrepreneur:** There is no real definition of an entrepreneur that perfectly matches a specific profile (Wickham 2004), however in this study we refer to an entrepreneur as an innovator, someone who transforms innovations and ideas into economically viable entities; independent on whether in the process she creates or operates a firm (Baumol 1993).

**Success:** Reaching goal(s) that can allow you to profit from them in different ways, such as: financially, emotionally, etc.
1.2 Problem

Generally, success is what entrepreneurs seek when starting a new venture, so the amount of research available to explain how a business can be successful is found in vast amounts. On the other end of the spectrum, we however cannot say the same. Failure is often the unexplored area of entrepreneurship, for this reason the amount of information out there that explains the failure phenomenon is scarce. How does an entrepreneur cope with failure? Highlighting this question is important since it can help all types of entrepreneurs who are either thinking of starting a business, running their business, or failing with their businesses to be less afraid of failure, as well as providing inspiration to move on from that experience.

The lack of information regarding this topic can be a disadvantage to the entrepreneur due to the vast amount of apprehension that exists towards suffering a failing experience (Smith 2004). It can be quite frightening for an entrepreneur, especially since it is a field without little to none knowledge on how they can cope with entrepreneurial failure. This research will intend to provide a bigger understanding of the coping process when facing bankruptcy. Optimistically, it will help current and future entrepreneurs to be aware of the side effects of failure after facing bankruptcy.

By taking a step forward on this research a second question arises from the first one (i.e. how does an entrepreneur cope with failure?). What effects positive/negative develop from the failing experience? This question is of major importance because it emphasizes the main focus of this research which tries to analyze the coping process from the entrepreneurs’ perspective.

This research paper will seek to provide information and insights on the aforementioned questions. Our primary intention is to shed some light into this unexplored subject. Due to this research paper being part of a more broad doctoral study, final conclusions on the topic of coping with entrepreneurial failure cannot be drawn from this research paper, on the contrary the main focus of it will be to provide further knowledge so that this topic can be additionally studied in more depth. We try to continue setting the starting grounds for this topic to be more accurately analyzed. For this research to be successful it is important to provide a clear understanding and point out not only the reasons why and how entrepreneurial failure happens but also focus on how the entrepreneurs coped with their failing experience.

1.3 Purpose

The purpose of this investigation is to analyze how an entrepreneur copes when faced with a business failure.

2 Frame of reference

This section will cover theories that will help us later analyze the empirical findings. The chosen theories will help us understand our research topic, and also see if there is any evidence in the coping theories that can be applied on entrepreneurs facing failure. We will briefly touch upon theory about failure, what business failure “really” means. This is
important since our topic is about how to cope when faced with failure. However, the most important theory is Lazarus & Folkman (1984) Cognitive Appraisal theory. They explain the different styles of reactions and chosen strategies. Bankruptcy being a very stressful situation for entrepreneurs can create uncertainty towards the future for. In order to compare both, people and their experiences we need to understand the cognitive process. Then, we can try to find if there is any evidence on how entrepreneurs cope when facing failure.

2.1 Failure

In order to understand the concept of failure, we have chosen to look closely on Smith (2004) study of the Concept of Failure since they investigate new venture failure and that has a sense of connection to our subject.

The definition of failure refers to a situation in which someone or something does not succeed (Smith 2004). Failure can be seen in two different ways, either positive or negative. The study of new venture failure has been taking place for two decades, consequently it can be seen that this topic has not been yet explored in depth. So far, the research on this topic has been investigated in different forms and at multiple levels in society such as: in the economy, in organizational populations, in firms, and in individuals. Failure can be interpreted either positively or negatively. The negative effects of failure can be visible in monetary and emotional costs; on the other hand its positive effects are less visible. They can be related more with learning, experience, and cognitive structures.

Entrepreneurs in general are always exposed to failure when starting a new venture. This is something that entrepreneurs are aware of from the start. Some can have luck while others fail and either learn something positive from the experience or just decide to stop their entrepreneurship experience for good. Many studies have taken place to investigate what are the main factors that determine the failure of a new business without conclusive answers. Further research is needed to provide a more concise explanation on the real factors that determine the failure. Without this further research there won’t be any clear evidence that will be able to provide a broader picture of the real factors. Even though failure can be related to malfunction and/or crash, most lenders and venture capitalists now a day consider the experience derived from a previous failure to be a key asset when seeking to finance entrepreneurs.

There are some theories like the Personality Theory which attempts to distinguish between entrepreneurs and non-entrepreneurs based on the characteristics or traits of these individuals. This theory tries to find the specific traits that a real entrepreneur should have, what certain qualities, abilities are needed for someone to distinguish itself from the rest. On the other hand, the Expert Information Processing Theory shares a different point of view, it suggests that expert entrepreneurs possess a differential ability to transform, store, recover and use information that novice entrepreneurs miss. Accordingly, this theory suggests that some entrepreneurs succeed where others do not in
large part due to the expertise they possess. This theory can be more realistic due to the fact that most human beings learn from their trials and errors and it is up to them to retain the helpful knowledge derived from their previous experiences to implement them in the future.

Feedback is needed for an experience to be useful and result in future learning; this feedback has to come from the people around, the environment. According to Minniti and Bygrave (2001) “entrepreneurs only repeat choices that result in positive feedback, and discard choices that result in negative feedback”. If entrepreneurs put into practice what they’ve learned from previous experiences then the likelihood of having more chances of succeeding will greatly increase.

2.2 Coping

Coping has been a topic that has been continuously researched for two decades and it has been described as a motion to satisfy an individual’s psychological state in a situation that is being perceived as threatening (Snyder 2001). Coping can be considered as a tool for humans to solve problems, to reduce the stress we face in our every-day-life (Snyder 2001). Coping happens when a situation, external or internal, demands cognitive and behavioral efforts regardless of its outcome either positive or negative (Lazarus & Folkman 1984). This implies that there is no specific strategy that is naturally implemented in coping; the efficiency can be only measured by its effectiveness in the long run or by the impact of an encounter (Lazarus & Folkman 1984).

To comprehend the meaning of coping and evaluate it we should have information about what the person is coping with (Lazarus & Folkman 1984). For example, in this study, the entrepreneur is coping with the failure of her firm; by identifying the context of the coping process we can connect their thoughts and actions to the firm’s failure “Coping thoughts and actions are always directed towards particular conditions” (Lazarus & Folkman 1984 pg.142). Coping can be something we think, feel, or do to overcome, for example threats and/or harm (Snyder 2001). It often includes more than one variable; it is mostly a combination of emotions and actions (Snyder 2001).

Lazarus & Folkman (1984) describe coping as a process, a process that can change over time, when an alteration in the person-environment relationship happens this will create a re-evolution of what is happening, as well as identifying its significance and also thinking what can be done. A person can choose to look at it in a more positive way (Kristoferson 2006). The person can overcome its bad experiences and come out stronger and smarter. They can also be satisfied with the new learning acquired during the experience (Lazarus and Folkman 1984). Researchers believe that people tend to cope with their losses differently depending on their goals, beliefs, and resources and therefore the process of coping takes different shapes (Lazarus & Folkman 1984). Also, Snyder (2001) expresses this belief that the way people cope with stressor differs due to their individual differences. Entrepreneurs have been related to some specific characteristics such as “risk-takers” and over-optimists (McKelive 2004) and this implies that their personality may affect or define their coping process. Some people seek for social support from friends and family while others seek for individual problem solving (Lazarus and Folkman 1984). According to Snyder (2001), it is a combination of both and it influences the coping process and the level of stress. Researchers have also noted that the way a person interprets a situation is crucial when evaluating the degree of stressor (Snyder 2001).
Lazarus & Folkman (1984) present two approaches on coping strategies which are referred to as the Problem-Focused versus Emotion-Focused Solving.

The Problem-Focus approach is most likely to happen in a situation where the person is willing to accept the situation and be receptive for a change. The Problem-Focus strategy deals with identifying the problem and characterizing the alternative solution as well as evaluating the cost and benefits from them and acting based on this strategy (Lazarus and Folkman 1984). Carver, Scheier, Weintraub (1989) state that the Problem-Focus strategy can take different forms, for example: planning, taking direct actions, seeking new activities, or help. This approach is mainly external, focuses on the environment however it can also be internal, in a sense where the person can choose to focus on its self by finding other channels to feel better, gaining new knowledge, or changing its own behavior, etc(Lazarus & Folkman 1984).

On the other hand, when the situation is interpreted as hopeless, one in which we believe that nothing can be done to change the threat, harm or challenged environment, the Emotion-Focus strategy is more likely to happen. We implement this specific strategy to maintain hope and optimism, to avoid the facts and future effects, to deny what really happens and its significance and finally it alters reality. However, we can find a large amount of cognitive processes that focus on decreasing the emotional distress, such as avoidance distancing, but also evaluating positive value from negative events (Lazarus & Folkman 1984).The Emotion-Focus strategy can commence by seeking social support and feeling proud for overcoming your problems (Carver, Scheier, Weintraub 1989). The different aspects of the Emotion- Focus strategy can differ and this means that success for each aspect is dissimilar from the other (Lazarus & Folkman 1984). Although we distinguish the Problem-Focus versus Emotional-Focus strategy it is important to remember that they can interact with each other since many problems in life are complicated and hard to solve (Lazarus & Folkman 1984)

2.3 Lazarus Cognitive Appraisal Theory

The Cognitive Appraisal theory is presented by Lazarus and Folkman (1984) in the book Stress, Appraisal and Coping. They explain the term Cognitive Appraisal as “a process of categorizing an encounter, and its various facets with respect to its significance for well being”. It is a process that is constant; during the time we are awake and are focused on the importance of such as meaning.

To better illustrate the coping process as well as understanding it we have chosen a theory that focuses on it. Applying this theory into the study will allow us to point out evidence of a relationship between entrepreneurial failure and coping patterns. By this, we can have a deeper understanding on how a bankruptcy affects the individual person, are they in a better or worse place after experiencing a failure?

The theory is divided in three parts, the primary appraisal, the secondary appraisal, and the re-appraisal. The distinction has been made because of two main evaluative issues, namely the primary appraisal is a reaction that emerges if you are being benefited or punished, while the other is a reaction of what can be done about the situation. However, the
authors are mentioning that that distinction can give the erroneous impression that one appraisal is more important than the other, (i.e. primarily).

<table>
<thead>
<tr>
<th>Primary Appraisal</th>
<th>Secondary Appraisal</th>
<th>Re-Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>The situation is classified as positive, stressful, or irrelevant to the individual’s well-being.</td>
<td>The individual assesses the available resources to cope with the situation.</td>
<td>The stimulus situation and the coping strategies are being monitored, and the primary and secondary appraisals are modified as needed.</td>
</tr>
</tbody>
</table>

“one person responds with anger, another with depression, yet another with anxiety or guilt and still other feels challenged rather than threatened.”

(Lazarus & Folkman 1984 p.22-23)

2.3.1 Primary Appraisal

Lazarus and Folkman mention three different shapes of the Primary Appraisal; (1) irrelevant, (2) benign-positive and (3) stressful.

1) Irrelevant is when something happens that has no meaning or significance to your well-being.

2) Benign – positive happens if the situation is perceived as beneficial, so the appraisal can take the form as having pleasurable emotions such as joy, love, happiness, or peacefulness. However, for some people, the state of feeling good can create guilt and anxiety because of the underlying belief that ultimately one needs to pay with harm or loss for happiness. Therefore, the appraisal framework can be complex depending on the environment and the individual factors.

3) Stressful: although the Primary Appraisal is divided into three sections, the third kind of appraisal can take different shapes. It is distinguished in parts as harm/loss, threat and challenge. When the cognitive appraisal takes the form as harm/loss the person has already experienced a loss or a personal harm. For example; harm could be an illness, and loss could be loosing a loved one. Loss can also be something that we invested a lot in, such as when an entrepreneur is faced with bankruptcy where she might have lost a lot of money. The loss of money can make a person face bankruptcy which will induce negative thoughts of themselves and the situation perceived as threatening. This outcome is not unusual since every loss/harm may bring negative implications and it also takes us to the next kind of stressful appraisal; threat.
When a person is expecting a harm or loss, the person might feel threatened by the situation. Threat happens when we believe that we may experience loss/harm, in other words it is a situation that has not yet happened but we are still expecting to. Threat can also happen due to loss/harm, since after experiencing the loss of something valuable, negative thoughts occur about the future and we believe that our lives are going to get worse. However, threat is adaptive and therefore a person can work out in advance some difficulties due to the human capability of planning the future. For example, when a loved one is faced with aggressive cancer and is dying we can start in advance to grief and deal with some emotions such as acceptance before the loved one passes away.

The last type of stress appraisal is Challenge. Challenge is opposite to threat; this is because the feelings derived from the encounter include some positive feelings such as excitement and pleasure. A challenged person can see benefits to gain by applying a specific strategy. On the other hand, there are some similarities between threat and challenge because both appraisals call for the mobilization of coping efforts and one do not necessarily exclude the other. An example of this would be getting a new job; if the new job is perceived as important and positive the person might feel all different types of positive feelings which are happiness, joy, etc. This is because she knows that this event can lead to future stability, it can be either financial or emotional stability. However, getting a new job may also have greater demands and the individual may feel that she cannot live up to those demands, then the emotions will drastically change and turn into sadness, fear, in-conformity, or lack of motivation. Therefore, an individual may experience both threat and challenge at the same time. However, even if they are often related to one another, threat and challenge should be differentiated. A possible future effect of threat can also be the encounter of appraisal changes from it towards facing a challenge because of an environment improvement in human life or a new insight on the situation due to coping efforts. A person that feels challenged is more confident and less emotionally overwhelmed and is better at taking advantage of the resources available in comparison to a person who feels threatened.

2.3.2 Secondary Appraisal

When we feel that we are in danger or have experienced loss/harm, are threatened or even challenged we must do something to manage the situation and therefore the secondary appraisal is important in every stressful encounter. The outcome of the secondary appraisal depends on “what, if anything can be done, as well as on what is at stake” (Lazarus and Folkman, 1984, Stress, Appraisal and Coping p.35).

The secondary appraisal is a process of evaluating which resources the person has to cope as well as choosing a strategy that will be successful, but it is also an evaluation of the outcome of the chosen coping action taken. The person is taking into consideration how efficient the chosen strategy may be as well as evaluating the consequences that can arise due to the chosen coping strategy. The person can be faced with internal and external demands.

Lazarus and Folkman refer to an earlier research by Bandura (1977 & 1982) that makes a distinction between these two prospects. Bandura uses term outcome expectancy, as a person’s evaluation of the outcomes that arises because of their behavior. The second term
that is used is **efficacy expectation**; it is a person’s believe that they can take the needed actions to achieve the outcomes that are desired.

### 2.3.3 Interaction

Secondary and primarily appraisal are working together and affect the degree of stress but also the power of emotional reactions. The more we have to lose, the higher the stress may be. For example, if a person has lost a loved one they are facing a permanent loss that cannot be replaced and the individual does not have the power to do anything about it and therefore the stress will be quiet high as well as the emotional reaction.

If we have a belief that we can control the outcomes the stress may be lower, however any uncertainty can produce stress. It can also happen that people find stressful situations challenging. When the individual feels that they have a sense of control over the situation they can feel that it is a challenge, a challenge to overcome difficulties and be positive. The reason people find it challenging is because challenges are defined as situations that we in some ways can control. For example, a challenge appraisal can happen to people that are faced with cancer because they feel that they must stay positive and strong in order to overcome the illness.

Lazarus and Folkman have illustrated an example with different paths of appraisal. The different scenarios illustrate how an appraisal can have different outcomes depending on the individual’s perception of the situation. This example is about a person that is attending a job interview.

1: The person believes that he probably will be rejected. He perceives the outcome as very harmful since he does not have any other job opportunities. Although, he believes that if he could deal with the interview effectively they may give him the job, however he does not think he has that ability to do it. He also believes nobody can help him and therefore perceives the situation as hopeless.

*In this scenario the cognitive appraisal process gives support to the threat (“the stakes are high”) and perceives the situation as hopeless. Possible outcomes may be depression or the person skipping the interview on purpose.*

2: The person believes that he probably will be rejected. He perceives the outcome as extremely harmful since he does not have any other job opportunities. Although, he thinks that if he could deal with the interview effectively they may give him the job. He believes he has that ability and starts thinking what to do in order to be an attractive candidate, so he practices on what he is going to say and to stop feeling nervous he takes a tranquilizer.

*This scenario starts with the person having high stakes and therefore the person feels threatened and anxious, however he finds some hope in the situation. The cognitive appraisal appears to be more challenging than threatening.*

3: The person believes that he probably will be rejected. He perceives the outcome as very harmful since he does not have any other job opportunities. Although, he thinks that if he can deal with the interview effectively they may give him the job, but he does not believe he has that ability. However, he believes that a friend of his will help him get the job because he knows the manager.
The scenario starts similar as before except that the person solves the problem by giving somebody else the control over his happiness rather than using his personal resources. This situation can create great problems and conflicts to the person’s values.

4: The person believes that he probably will be rejected and he feels that it is a shame since he needs a job and he finds this job very interesting and attractive. However, he has other opportunities in case he does not get this job, so he can look for other jobs that are available.

In this scenario the person has several options and therefore the stress will be low and since the risks are low he has not much to lose.

5: The person believes that he probably will be rejected. He perceives the outcome as very harmful since he does not have any other job opportunities. He feels that he is being discriminated because he is (black, immigrant, ugly, woman, etc), therefore he perceives the world as corrupt.

The person expresses his feelings by blaming the problem on others. The appraisal is forecasted as harm/loss and the outcome is anger rather than depression.

These examples show the appraisal process in different combinations by illustrating the cognitive mediation of the stress reaction and coping process (Lazarus and Folkman 1984). We can take several examples above, for example in scenario 1 the depression was an outcome of hopelessness.

2.4 Reappraisal

The appraisal may change due to new information from the environment or their own reactions. New information may decrease the level of stress but can also increase it. When this occurs we are faced with a re-appraisal. To mention an example of situations where re-appraisal happens; a friend of yours went to buy take-away-food for you and you told her to get pasta. When your friend came back you realized that she got rice instead of pasta. First, you get angry and yelled at her, but then you understand that the reason she bought the rice is because there was no pasta that day for sale. Your friend considered not buying anything but she knew you had to eat something and nothing else was available. Then your feelings may result in guilt and shame. It is after you got the information that there was no pasta that the re-appraisal occurred. Re-appraisal is a two-way process, your reaction may affect others, it is an action that you do not try to hide but it also starts a new process of appraisal for you. If we take the example above, the person openly showed her anger but the transition of the environment which was that there was no pasta affected the angry person and started a new process where she felt shame and guilt.

As mentioned above, re-appraisal may also happen when we get new information from our own reactions. The environment may be unchanged but the appraisal may happen one after another due to our own way of thinking. It means that a stressful appraisal, which is something threatening may transform into a benign appraisal and the situation becomes positive. Re-appraisal is not something new, it does not differ from the appraisal rather than it follows an earlier appraisal.

3 Research Questions
To shed more light on the unexplored topic of entrepreneurial coping with failure, this study has developed two major research questions that will provide a deeper understanding of this topic. The answer to these questions will be based on the correlation of both, the theory stated in the frame of reference and the empirical findings.

These questions are:
- How does an entrepreneur cope with failure?
- What effects positive/negative derive from the failing experience?

4 Method

This fragment of the research mentions both, the method and the scientific approach of the study. It covers and describes different aspects of it such as the problems, challenges, and weaknesses faced. It also provides a bigger insight on the way the data was collected and how the study was mainly conducted.

4.1 Method and Scientific Approach

To get a further insight on this research we will engage in the recapitulation of information through the process of holding interviews with former business owners whose ventures failed. This research is unique because the topic of entrepreneurial failure has not been thoroughly studied and will provide a bigger insight to this unknown topic. Qualitative research, more specifically interviews constitute the main source of empirical data of this research. Our respondents were not chosen out of a large population; rather it was a strategy to find people that would be interested on the topic covered on this report (i.e. former business owners whose ventures failed). The intention when acquiring this data was to later analyze it and correlate the answers with our theories and try to develop our own analysis of the information. This scientific approach applied to the research is suitable due to the fact that this is only part of a bigger ongoing research with a broader focus on the topic of entrepreneurship failure.

4.2 Qualitative research

As previously stated, the data collection of this research was done by holding interviews with former entrepreneurs whose ventures ended up in bankruptcy. This data is classified as qualitative because it properly seeks answers to questions by examining various social settings and the individuals who inhabit these settings (Berg 2001). The qualitative data was collected by interviewing five different candidates who agreed to cooperate with this research. The strategy of this research was to have an open mind due to the researcher’s limited pre-established knowledge of the five candidates who were interviewed. This knowledge can be referred towards the candidate’s personal background or the details of their failure. Therefore, we cannot or want to influence the findings or the answers of the respondents, however interacting with the respondents is considered as positive (Gillham 2005).
People sometimes change their perspective as they speak (Gubrium & Holstain 2002). Qualitative research is “What people say, the ways they act, and artifacts they use” (Gubrium & Holstain 2002). In order to answer our purpose, how an entrepreneur copes when faced with failure, we need to see which coping pattern(s) the respondent experienced. According to Gubrium and Holstain the reason researchers choose the Qualitative Research method is mainly because of their interest in patterns or themes among a particular category of respondents. Therefore, the Qualitative Approach used in this research is as such since we want to discover the entrepreneurs’ coping pattern when facing failure.

When it is believed that the outcomes may differ from respondent to respondent then the qualitative method is of specific interest (Patton 1987). As it will later be shown in the theory section of this research, the coping patterns may differ from environment to environment and the personality of the entrepreneurs may have many differences. Therefore, it is important to use qualitative research as the most suitable method for it. This is because this type of research is about making meaning rather than control (Gubrium & Holstain 2002).

4.3 Theory

In the frame of reference theories will be added so that they will help us later on analyze the empirical findings. In order to find the most suitable theories for our subject of interest we started by investigating on different researchers on this field. Our findings resulted in Lazarus’ Cognitive Appraisal theory which will be later applied and compared to the empirical data collected. This researcher who has been pointed out as very experienced in the field (Lazarus 2000) explains the different styles of reactions and chosen strategies. The vast experience of this researcher plays a major part in the credibility of his findings. This theory is appropriate due to the concise information provided by it when it comes to the topic of handling stressful situations. It gives us the possibility to see how entrepreneurs who have experienced failure cope and see if there is any similar pattern in their way of coping. But most of all, Lazarus’ Cognitive Appraisal theory will contribute to this research by helping to answer the main purpose of it; How do entrepreneurs cope when faced with failure? The topic of failure will be briefly covered to complement and help us understand the real context of it when related to entrepreneurship.

The empirical data acquired will be compared to the theory previously mentioned to try to find a relationship between the theory selected and the empirical data gathered from the interviewees. If any of the interviewee’s experience matches the theory chosen this will help corroborate our findings related to the theory, but if one or more experiences does not match with the theory chosen, then it can help us by providing the ability to try to add or redefine the theory.

4.4 Data Collection, the Interview

The Data Collection process of this research consists of five interviews conducted to different entrepreneurs with similar experiences in which their ventures went bankrupt. We chose to interview only five entrepreneurs because we will provide a deep and thorough analysis of their experiences and due to the lack of time five candidates suit this research.
perfectly, more than five can affect the quality of it because then the thorough research needed to be completed may not be fulfilled.

The First step in our data collection process consisted of contacting the representatives of different companies listed in the Affärsdata database. This database holds all relevant contact information regarding these companies that have reached bankruptcy which is an invaluable source for our research. However, Affärsdata failed to provide us with the phone numbers of the contacts and for this reason we had to use the www.Eniro.se website for help. Some of the searches were successful, but most of the time we found it very difficult to find out the right person and its contact information. Around 200 phone calls were made to different prospects, with the majority of the responses being quite negative and uncooperative. This tendency of negative responses was of course expected and in a way understandable, due to the nature of the topic of our research being one that may make the entrepreneurs involved feel vulnerable or somewhat exposed to what they may consider to be an embarrassing situation (I.e. The failing of their business). However, some of the responses we got were quite positive. Since we needed to undergo interviews with 5 entrepreneurs, once we were able to set them up we proceeded to schedule a time and place to meet them.

When this meeting took place we interviewed the entrepreneurs and had them respond to the questions we developed in the questionnaire. We took notes and recorded the interviews for later analysis of the responses. The real advantage of using a tape recorder is that it helps overcome the “writing” barrier and can possibly provide more useful material (Gillham 2005). The questions found in the questionnaire have been designed as to provide an unbiased and free response from the entrepreneur. The most important part of the research is to conduct good questions (Gillham 2001), therefore we have tried to conduct questions that are relevant to our subject but most importantly questions that the respondents are capable of answering.

We then proceeded to rent an automobile courteously paid by our university and engaged on visiting the entrepreneurs at a location where the respondent felt comfortable (i.e. a coffee place or at their home). When at the location, we interviewed them for periods ranging from twenty five minutes to one hour asking them to respond to our pre-established questionnaire as honest as possible. At the same time we recorded the interviews for further analysis, in case we had missed any relevant piece of information.

4.4.1 Interview design

Four different types of interview techniques can be used when conducting a qualitative research these are; the structured, semi-structured, the unstructured interview and group interviews (Grix 2004). For this research the semi-structured interview technique will be used as it is the most suitable for fulfilling the purpose of this study.

A semi-structured interview is one in which the interviewer has in mind a number of questions that she wishes to ask the interviewees, but which does not have to follow and specific, predetermined order (Grix 2004). This is very suitable for our research because we want to let our interviewees provide as much insight from their previous failure experiences as possible. The interview questions were designed in a way in which they could cover all of the topics which interest this research which are; the background of the inter-
viewee, the beginning of their venture, the problem that occurred, and the way they coped with the failure.

Another important task lies in defining the research setting which involves establishing exactly where, when, and with whom the research will take place (Grix 2004). It was difficult to find specific candidates for the interviews but the ones who positively responded to our request were given the option of choosing the setting, time, and place of where and when the interview was going to take place. This provided the interviewee with a more familiar environment in which they could feel safe and acquainted to and be as open and honest when talking about their failure experiences. In opposition to the notion of survey in quantitative research the aim is to go deep into a definable setting in which phenomena can be place meaningfully with a specific social environment. This setting itself can motivate the research (Grix 2004).

4.5 Method analysis

This research focuses on personal interviews as its main source of empirical data. More specifically, semi-structured interviews were conducted which helped to adapt to the personality of each of the respondents (Grix 2004). This type of interview provides more freedom to improvise and interact more with the interviewees (Grix 2004). Even though these interviews provided a greater insight on the entrepreneurs’ experience and big differences can be noted due to the vast amount of freedom the respondents had to answer their questions, the diversity of the results became a problem for this study by making the analysis process more complex. When qualitative data results are so diverse, it can be a challenge for the researchers to organize it (Grix 2004).

According to Mason (2002), there are two ways of reading data for further development of an analysis. This research used both of these different reading methods after analyzing the data gathered. The first one which is literally reading the data when analyzing an interview focuses on the words and language used as well as the sequence of interaction. It is of particular interest to read between the lines when analyzing the empirical data because new aspects of it can be noted and therefore broaden the initial perception of the data (Mason 2002). The second way of reading the data consists of interpreting and reflecting on the reading by constructing or documenting your own version of what you think the data means or represents. This a key method of analyzing the data because the topic of interest of this research being a delicate one for the interviewees in question can affect their responses when answering the questions, so interpreting their responses and actions will provide a bigger insight for this study when analyzing the data and writing the analysis.

To compliment the analysis of the data gathered this study bases itself on an inductive approach. According to Patton (2002) “The precise nature of inductive analysis depends, in part, on the purpose of the analysis and the number and types of cases in a study”. This approach involves discovering patterns, themes, and categories in the data acquired (Patton 2002). In this study, several cases needed to be compared to try and find a specific pattern from the coping reactions of the respondents. The process begins by noting specific observations and building them towards general patterns. Then, categories or dimensions appear and these can be classified as either typologies or taxonomies (Patton 2002). Typologies and taxonomies are both classification systems but at the same time they differ from each other greatly. Patton (2002) states that “typologies are made up of cate-
categories that divide some aspects of life into parts along a continuum, and taxonomies classify a phenomenon through exclusive and exhaustive categories”. The categories used on this research can clearly be considered as typologies since the respondents and their characteristics cannot be classified into exclusive and/or exhaustive categories.

Once this process is done the next step of the inductive approach is to begin a cross-case analysis searching for themes and patterns that go through individual experiences. This is of great help when trying to identify new patterns that might have not been previously discovered (Patton 2002). The process of identifying emergent patterns in the data refers to the logical analysis which involves developing possible categories by mixing a dimension and a typology together and repeating this process along with using logic until the expected outcome is reached (Patton 2002). This process was key for the development of the analysis by having the researchers connect different categories to try to find a new insight to their conclusions. As a result, the mix of the inductive approach and the theories previously mentioned on the frame of reference are the best combination to develop a more concise analysis.

**4.6 Strengths**

It is known that the problem in question is too specific to be tackled by using more conventional quantitative studies. For this reason, this research uses a qualitative study approach (i.e. Utilizing Personal Interviews) as the way of getting our primary data for this investigation. By this, we were able to receive greater insight and a more personal and in-depth account of the entrepreneurs’ story, which again will prove to be an invaluable source.

The main reason why it is imperative to use the qualitative method for attaining data is simply because our study is focusing on the coping aspect of entrepreneurs which cannot be really measured other than by engaging in personal interviews since we do not want to control or constraint their story (Holiday 2007).

There is only a limited amount of empirical data available for people working on this topic. Most of the data currently available focuses more on psychological theories which talk about how people in general cope with different situations such as stress and failure. The area of research that actually studies the psychological aspect of coping in a business environment is very limited to just a few individuals. We have for example Lazarus who is pretty much the only guru in this field, being quoted in almost every article and research we have encountered in our recompilation of data having to do with coping and business failure. There are no real theories which can accurately explain or describe the reaction of an entrepreneur towards failure. Even though there is a limited amount of data on this topic, the one available will be very useful and will contribute to the continuous development and research on this topic. All the facts previously mentioned constitute a great advantage for this research because this study can provide a bigger insight to the unexplored topic of entrepreneurial failure and ways of coping with it. We can consider our research as being a pioneer on this topic that will help future researchers by providing them with more information needed to develop further research.

This research can be considered as an attribute for ourselves due to the fact that not a lot of people have tried to develop any type of research regarding this topic. This makes it as
a key element that will break new ground for this topic resulting in the attraction of more attention.

4.7 Weaknesses

Different kinds of problems were faced during the research of this topic. Interviews were conducted to compliment our primary data; they provided this research with the ability to develop a more accurate analysis on the main topic. The people interviewed were strictly entrepreneurs with failing experiences. When conducting a qualitative research it is important to follow the ethics code during the research, such as protection of privacy and anonymity (Gubrium & Holstain 2002). However, this can be a weakness since the interviewee in question can, with all respect, refuse to answer a question and that could lead to missing out important data (Holiday 2007). It was also very hard to find entrepreneurs with the right characteristics needed for this research. The Affarsdata database provided sometimes inaccurate information of the entrepreneurs, so this was very time consuming. Another important predicament faced was finding entrepreneurs that were willing to share their experiences with us. Out of one hundred calls made, about sixty people answered, twenty five were negative answers and only fifteen were positive. Out of these positive answers, ten of them cancelled their meetings with us or did not even show up and only five of them indeed met with us.

We started by focusing mainly on the Jonkoping region, but it became harder than expected to find entrepreneurs that matched the characteristics were looking for and that were able and willing to help with our research. So we had to change our focus from the Jonkoping region to all regions in Sweden. This approach made it easier to find interviewees for our research.

We did not have a vast amount of time to contact a great number of entrepreneurs, so our sample was reduced to only five which reduced the amount of information and forced us to make assumptions on the topic.

This being a very delicate topic could have affected the honesty of the entrepreneurs being interviewed (Berg 2001). It was a hard task to find entrepreneurs that were willing to talk about their experience. It was possible for them not to be entirely honest about certain details of the business failure. This could be the result of shame, guilt, or other feeling that may affect the honesty of the provided details. A common pitfall was that people differed themselves from their actions, therefore we needed to make a distinction from what they said and what they did (Gillham 2000). To deal with this complexity, the framework needed to cope with it in order to eliminate biased answers (Gillham 2000).

4.8 Validity

When conducting a qualitative research, especially interviews, the possibility exists in which the interviewee’s performance is rather disappointing (Holiday 2007). Unfortunately we cannot control or alter the responses of our subjects, and at the same time we need to have full credibility of them because it would be impossible for us to find out if the information provided by them is accurate or not. The best this research did to provide validity for its findings was to certify the quality of it by developing high quality interview questions which aimed at getting truthful and simple answers from our subjects.
5 Empirical Data

In this investigation we will be utilizing primary data. This primary data will consist of interviews of entrepreneurs who have had failing experience(s). This data will provide us with the most important information needed to fully develop our analysis and research. In order to have a better understanding of this data, we have divided it into several sections which will allow us to provide a more concise view of it. Four out of five interviewees chose to stay anonymous. This happened in accordance to our belief that ethics play a crucial part on this research and therefore we provided the interviewees with the option of choosing between staying anonymous or not.

5.1 Interview with David

Introduction

We contacted David by phone and explained who we were and why we called. David was very friendly and open and he had no problem talking about the subject and telling us about his story. We decided already on the first call the specific date and time for our meeting. We decided to meet next to a café close to where he lived and set the date for the next Saturday evening; however David did not feel good and called to reschedule the interview session. Luckily he felt better the next day, but his schedule was tight and he asked us to stop by his workplace so we could talk to him during his break.

Background

David is 37 years old and during his lifetime he has started three companies. In 2002 he started his latest company which he describes as “his lifetime dream”. It was a gourmet restaurant which also worked in collaboration with a castle where weddings took place. He founded the company with a partner, his old chef master. They opened a gourmet restaurant because they firmly believed there was a place in the market for such restaurant. They would be the only players in the town since nobody owned a gourmet restaurant and they strongly believed in their business idea. They bought an old restaurant and thought about remodeling the place a little bit, however as they started they realized that they needed a brand new kitchen, because the current one was dirty and old, just not in the best condition. The upgrading of the whole kitchen accounted for 800 000 SEK which was not originally considered in their staring budget.

They accounted for twenty five to thirty employees working for them. David and his partner were working tough shifts; they stared at 8pm and left close to 2am. However, he describes it as the most fun thing he has ever done in his life. The atmosphere was great, they laughed a lot, they cooked and ordered whatever they wanted. Of course they had
their differences especially when it came to the finances of the business, but they always kept their relationship strong and they are currently still friends.

**Motivation**

They wanted to become one of the best restaurants in Sweden. Their motivation was never truly about the money; as long as they could pay the bills they were satisfied. However, when David reflects on his goals he feels that the motivation was wrong since money is the key ingredient to achieve the pre established goal.

**Failure**

After eight months of operating the business David knew it would not succeed, however they kept the business in operation for the next 3 years. Shortly after that, their accountant called David and his partner for a crisis meeting. Their account was running out of funds and they needed to elaborate a balance sheet. David and his partner were surprised since they thought it was the accountant’s job to provide that information. During the meeting they were informed that they had individual debts and the amount reached 3 million SEK. They had the option of filing for bankruptcy or keep on fighting and hope for the business to succeed. They decided to continue, the motivation was that “we have nothing to lose”. They were already in debt so why stop then. However, looking back on it, he feels that they did not have the right information to take that decision. The accountant did not give them the accurate information. If David would have known that he would only be in debt for what he borrowed from the bank, and not with the suppliers, he would have probably applied for bankruptcy right after the first crisis meeting set up by his accountant.

Reflecting back on the company, David can see several reasons why the company was not successful as him and his partner expected.

- The full renovation of the kitchen took a considerable amount of the startup budget.
- They refused to cut down on the quality of the products being offered. – Even though their accountant did suggest them to switch into a simpler restaurant.
- They had the reputation of being expensive. - Although they served much more food on the table, their competitors offered cheaper prices for similar food.
- They were too nice when it came to doing business. For example, one summer they did not have a lot of business because it was raining and they had too many employees working their shift, but instead of sending them home, they let them just hang around and do easy chores.

**Stress**

David believed so strongly in the restaurant that he thought the chance of it going bankrupt was not an option. But to his misfortune he later realized he was wrong, he hoped people would realize how good the products and service they offered were, but they never did. This situation produced a lot of stress, he spent a lot of time thinking what to do, he debated between keeping on fighting, selling it, or filing for bankruptcy. He and his partner could not get to an agreement, they could not come up with a definite solution and that enhanced enormous amount of stress. To try to deal with the stress David stopped working at the restaurant and started working at another place. He never talked about his experience with anybody else rather than his partner. However, the stress did
not go away, so in the end him and his partner decided to sell the company, adding up to their bad luck all the potential buyers did not seem serious so instead of selling the place they decided to file for bankruptcy.

After the venture failed, David felt an enormous sense of disappointment. The uncertainty of the future brought him a lot of stress. David kept working to try and deal with the stress but his attempt had no success, the previously induced stress kept hunting him. He thought of leaving the country and leaving all the problems behind, however when the bankruptcy decision was final he received new information; he knew how much he was in debt and received a pay-back-plan. He would be debt-free by 2014 and David finally experienced a sense of relief. He changed his mind of going abroad and decided to stay in Sweden. He wanted to hold still until 2014. At least he knew he was lucky because had the most important things to survive, a roof over his head and food. However, he currently still feels a sense of disappointment because it was the dream of his life and it happens just once in a lifetime.

He still develops a feeling of withdrawal when thinking about his restaurant. But there are also other aspects of that experience he still thinks of, things which he has not found a sense of closure to. He still blames the accountant for fooling them, not giving them all the information as well as blaming the trustee in the bankruptcy for ripping them off. David believes that if he would have sold the restaurant he would have gotten approximately 600 000 SEK, however the trustee got only 100 000 SEK “the rest of it probably went into his own pocket and that makes me angry and I probably will be for the rest of my life”.

**Learning**

David claims to have learned what kind of restaurant would succeed in a small town. He believes that a café place has the best chances of surviving “you can serve some food but it is important that you call it a café place”. He believes that people often go to a café place because you do not need to spend more than 20 SEK on a café. However, he finalizes his hypothesis with a question “How often do you go in a café place and only leave 20 SEK poorer?”

**Coping**

David never regretted his decision of starting the gourmet restaurant, it was the dream of his life, something you have the opportunity of doing once in a lifetime and he is lucky enough to say he has done it. It was the time of his life and he came out of that experience with enormous learning. Because of his experience he believes that he can succeed better next time since he now knows better about the demand in the town.

He is currently working at a restaurant as a chef; he feels that he has the basic things which are a roof to live at and food to eat. However, he points out that it is not a pleasant feeling having the lack money at the end of each month because of his debt. But he is fighting and most importantly he knows that in 2014 he will be done with his debts.

David is more humble as a person due to the experience. He is more realistic, before he thought he was the world’s best chef, now he knows there are limitations and analyzes more his ambitions. He does not set expectations which are too high on him. He is think-
ing of opening a new business, a catering firm. “Not a chance I’m going to be employee for the rest of my life”

5.2 Interview with Sergio

Introduction

Sergio answered his phone on our first try to reach him. His voice was very friendly and he agreed to be interviewed, however he asked us to call him later during the week since he would know better how his schedule would look like. We called him as agreed and decided to have a meeting on Tuesday morning in a shopping centre in Gothenburg, however Sergio called us on Monday afternoon and needed to reschedule the time since he had an important meeting at his job on Tuesday morning, so we rescheduled it to Tuesday afternoon at 3pm. Sergio arrived a little bit late and he apologized for that inconvenience, we found a café where we sat down and started to talk. Sergio was very friendly and you could notice that he is very service orientated. You could tell how he was eager to contribute to our research because he always treated us nicely and never hesitated to contribute to any of the questions asked.

Background

Sergio is 41 years old and in 2006 he opened his first company, a restaurant. He opened it with two more partners and they had 7-8 employees. They opened an Italian restaurant since they saw an opportunity of opening their own place and thought that there would be a demand in that specific market for Italian food. However, the market was much tougher than they have expected. Sergio worked full time during the first year because he wanted to develop a good organization which would offer quality products, etc. However, things do not always turn out as you want to “You do not see how much work there is before you start”.

Motivation

Sergio saw an opportunity to challenge himself and took it. He was always enthusiastic about the idea of opening his own business.

Failure

Down the road you acquire new knowledge and experience, people change and Sergio noticed that he and his partners had different visions and goals when it came to the restaurant. Sergio saw at an early stage that the restaurant would fail. He hoped for greater demand but his hopes did not come true, the market was tougher than expected. However, Sergio felt that they could adjust to the market by the use of marketing to increase demand, adjusting the opening hours, etc. However, the partners could not agree on what changes needed to be made to save the company. Sergio wanted to keep the cost down, for example close the restaurant when the demand was low but his partners felt that they needed to be open for everyone at all times. This company kept running for one more year until Sergio realized it would fail. They had a restaurant in a small Swedish town, and there cost became greater than the profit, the town was too small for the restaurant. He
noticed that it wasn’t a good choice to have the business in that specific town. Even though he would have liked to start his business in Goteborg he thought that starting it in a small town would be the start and after the next step would be to move it to a big city, specifically Goteborg. This is due to the high cost of opening a business in a big city in Sweden.

**Stress**

Before the firms’ failure happened, Sergio tried to adapt to the situation. He realized that he did not have enough control over the market to save the company. He and his partners worked all the time, and in his case he had no balance between his work and personal life so his personal life was negatively affected. The company became a burden, and finally when they shut it down he accepted the failure and felt a sense of relief. However, the biggest stress came from the uncertainty of not knowing what was going to happen. It was stressful not being able to know how to financially support his family. After the failure he had no capital left from the company and to make matters worse he was unemployed. Sergio’s new goal was to get a job, to get back on his feet, so he searched everywhere he could, however he had a hard time finding an opportunity where he was searching because he was too qualified for almost every job he applied to. He also got a feeling of uncertainty from not knowing the real effects of the recent bankruptcy. To combat the stress Sergio got deeply involved in the bankruptcy process, he wanted to learn how the process worked and what exactly was going to happen. This attitude helped to reduce the feeling of uncertainty towards the future.

**Learning**

Sergio has grown as person after the experience he had developing his own business. Although, he does not recommend bankruptcy as an experience everyone should have, he feels it was a golden experience that he can use to his advantage. For example, he has learned a lot of economic terms and principles, how much sales tax must be paid, etc. This is something he took advantage of in his new job. He stated that the next time he decides to start a business he will be more realistic. Sergio feels that before you have an experience like the one he did you are not able to see things clearly and become more realistic before you go into a market. He would also like, if possible, to start a new business, but now this venture wouldn’t involve any partners but him. He wants to have full control over all the aspects of running a business.

**Coping**

Sergio lost a lot of money when his company went bankrupt. The total amount was approximately 250,000-300,000 SEK, and the bankruptcy decision was not final, and after the failure happened, he was unemployed for three months. Even though that wasn’t a bright time for him, he kept looking for a job thoroughly and after three months he got an offer as project leader at a construction company. It is a job that he enjoys since he sees himself as a leader. Sergio lives a more normal life now; he has more spare time and is off-duty during the weekends. He feels that the restaurant may have been the wrong type of business for him; he likes the construction business more. He uses his experience from the firm in his new job; he talks about it with his colleagues. “I am not hiding that I tried to run a business and failed, instead I share my experience to solve other problems”. He is more satisfied with his life now than before the bankruptcy happened. However, he states
that being an owner of a business gives an individual more status, he does not refer it as being better than anybody else rather just feeling proud of yourself, being proud for accomplishing your goals. Sergio is definitely opening a new business again, however he does not know when. But what he does know is that it is going to be a business he has good knowledge of, so far he knows the restaurant business and construction. He enjoys the construction business more and his family does not want him to start a restaurant business again, so the next idea will have to involve something different.

5.3 Interview with Harald

Introduction

We tried calling Harald a couple of times at his home phone with no luck. But after a couple of tries, he finally answered. He told us right away that it is almost impossible to reach him at his home phone and gave us his mobile number. He was very friendly and was willing to help us, however he had a very busy schedule and asked us to call him the day before we got to Gothenburg to arrange a time and place for the interview. So we did that and decided to meet at a café place in Gothenburg. When Harald arrived, you could see that he is a very happy person, he arrived in his moped from 1969. He told us that old mopeds were his passion, he had nine old mopeds at home and the one from 1969 was one of the youngest.

Background

Harald is 51 years old; he is originally from Poland but moved to Sweden 30 years ago. In 2006 he became part-owner of a company in the IT-business. It was an established company and he heard from a distant cousin about the company and the possibility to be part-owner of it. He got good feedback from his cousin. He had one partner in the company and 8 employees.

Motivation

Harald started working eight years ago as an IT-salesman and was tired of it; he wanted to do something new, so he bought a share of this company.

Failure

Harald blames his partner for the failure; he feels that it was the partners’ negligence and lack of concern towards the business that lead to the failure. The company itself was not bad but the partner delayed everything and Harald was not informed about it. Harald hoped he could save the company, however in 2007 he realized it was bound to fail and as a result they filed for bankruptcy.

Stress

Before the bankruptcy, he felt a lot of stress, there were many nights where Harald was awake and thought about the whole situation. He felt angry and frustrated towards his business partner and his behavior because there was nothing wrong with the company. It was his partners’ behavior in the business that ruined them. There was not a lot he could
do about it, he had to let it be and try to deal with the frustration. There was a lot of money that got lost, Harald lost 200 000 SEK of his own money plus the debt from the bankruptcy. Even though he felt he was reaching a dead end, Harald’s friends and customers approached him. His friends and customers noticed the complexity of the situation he was in, where he did a good job but his partner was incompetent. They gave him good support and confidence that he could do a good job if he started a firm by himself. After filing for bankruptcy he experienced a sense of relief, he was happy that he could finally get rid of the burden of having to deal with his partners’ incompetence.

Learning

Being a part of this venture gave him good knowledge which he takes advantage of now, such as:

✓ Importance of being perceptive.
✓ Operate as a problem-solver for the customers.
✓ Never open a business with a partner since you cannot take all the decisions by yourself.
✓ You must have good control over the organization; you have to be active and disciplined when doing your chores.

Coping

Harald feels that he has handled the bankruptcy satisfactorily. He reached an agreement with the Swedish tax agency regarding his debt in which he had four years to pay it back. The company’s debt as well as customers’ debt to them is taken care of the same way by the Swedish Tax Agency. They are in a legal battle with the customers about those debts “there is no chance for us to lose that battle”. The debt with the Swedish tax agency will not affect him. He has another job, which he had the whole time while his previous business was still operating. The bankruptcy experience gave him an opportunity to open his own company. In March 2008 he started a new business within the same area of expertise, and his old customers got in touch with him. They were satisfied with his previous work at his old company and believed in him so they wanted to do business with him again. He is more satisfied with his life now than before the bankruptcy, and he considers himself to be stronger because of the whole experience.

5.4 Interview with Peter

Introduction

Peter accepted right away our offer to interview him, however he could not set a time and place to meet right away, so we called him a week later. We decided to hold the interview at his house on Saturday. Peter was very friendly and answered more than happily to all of our questions, he even let us use his personal data as well as the company’s name in our thesis. You could already notice while talking over the phone with him that Peter is very service oriented and likes to help people in every possible way that he can.
Background

Peter is 39 years old and lives in a small town outside Falkenberg. He has previously started four companies, but during the fall of 2003 he started HR Bygg. Peters’ father had a sole proprietorship that he started in 1969. His goal was never to make the firm grow; it was more about having his own business that he could make a living off. Peter and his father worked side by side and Peter was a project leader in the company where he had three employees working for him. In 2002 Peters’ father passed away and Peter took over the company, however he did not want to have a sole proprietorship and started a new firm where he only took the company’s name and converted it to a trading company. He started the company all by himself but gradually increased the number of employees to nine.

Motivation

After Peter’s father passed away, Peter took over the original name of the business and started the firm in a new legal form since he believed in his business idea and that he could make it grow.

Failure

According to Peter there were three main reasons why the company failed. He talked about the three main incidents where he got scammed.

1: His Company signed a contract for a job in which they would build a house for a private couple. They wrote the contract about everything needed to be stated and agreed on a price. In the beginning everything ran smoothly but what Peter did not know was that the couple did not get the necessary funds to finance the project, while Peters´ company started working and the labor costs accounted for approximately 500 000 SEK without receiving any kind of payment. Although he thought he could protect himself and his company with the contract previously signed by both parties, he could not do anything about it except go to court, the process was long and Peter made some small legal formality mistakes on his written statements. As a result of this, Peter only got 160 000 SEK back. He lost all the capital he had invested in the company.

2: Since Peter lost a lot of money during the first scam, he tried to recover the money lost by agreeing on another work contract right away. Falkenberg Ridklubb came to him and asked him to build their showers and toilets. The price for the job would be approximately 380 000 SEK. Peter and Falkenberg Ridklubb agreed on a price and wrote a contract, however after the job was finalized, Falkenberg Ridklubb had no money to pay and since they were an economic society there was no person that had the legal responsibility to respond in court. This caused Peter to once again lose 180 000 SEK. This was a hard backfire on the company.

3: The last incident that forced Peter to shut down his business was a job he was hired to do for a company in Halmstad. They agreed on a job where Peters’ Company would rebuild some real estate. They signed a contract which set the specific date of payment and time-line for the job. Peter held his part of the agreement but when it came to the payment the customer had no money to pay. Peter was again facing the same problem as before, he made some legal errors and he lost 560 000 SEK. Peter operated the firm for 3-4 more weeks to be able to wrap up the last job he was assigned to finish for his current private
customers so they would not get any harm out of the bankruptcy, and after that he applied for bankruptcy.

Peter points out that he got in a legal battle with; Company against private people, Company against economic society, and Company against company. “I know how hard it can be to do business with all three”.

**Learning**

Before Peter started his company he imagined that it could fail, however the risk was worth a try. He never regretted his decision. “You know that you get 100 crashes before you get one success”. If Peter could do it all over again, there are several things he would do differently.

- He would buy a bank insurance policy, it is a service that costs for both parties but the bank freezes the payment for you.
- He would take credit information on every customer.
- He would let a lawyer write the contracts.
- Keep better track of the economy “not many that can do that”. Peter often concentrated on what he was good at and put the economy aside. This in the end had a negative outcome.
- Most of all, Peter feels that he would be less naive. He trusted people too much. “It is the people you sit down at meetings for hours with, you meet those people every day and you start to trust them”
- It was an invaluable experience and he does not regret staring the business, however he feels burned out because he had lost the feeling of joy in the business.

**Stress**

Before shutting down the company there was a lot of stress in the air, Peter worked from 05am-2100pm. The phone rang all the day; he could not stand it anymore. He had to have the phone on silence mode because of the stress this brought to his life. He could go a whole day without any food, however he feels that he is good at handling the stress. He just put all his focus on the main tasks. He helped the trustee, since everybody that has a debt with a company complain on the exact same way just so they can try to avoid payment. In the beginning, after filing for bankruptcy, the disappointment was huge and later on he got angry because other people could not keep up their promises. To get his mind of the failure and recover emotionally from the stressor that the bankruptcy caused him and his common-law partner; he went to Stockholm just to have fun and distract himself. He did not think of the failure at all over the weekend.

Then, Peter happened to have an accident, a shelf fell off and Peter tried to catch it, however it was too heavy and Peter got a herniated disk. Peter signed off on disability leave from work and was at home for six months. Reflecting back on it, he is glad that he had that experience because it gave him an opportunity to cope with the recent failure experience. After experiencing anger he experienced relief, he pointed out that he is a competitive person as well as individualistic, he had played sports for a long time and understood that sometimes when you lose you have to accept the loss and move on. Peter has since then talked a lot with his two good friends that are also entrepreneurs, as well as receiving
support from his mother. Peter believes that it helped him a lot having people whom with
he could talk about everything that happened and he feels that by sharing his experience
to his closest friends and family he gained a lot of knowledge.

After that, the bankruptcy brought “another sort of stress” than before. It was the uncer-
tainty of the future, he did not know what would happen and that brought a lot of stress
during the first 2 to 3 months. He is not sure how he handled it; he could not think clearly,
he just remembers thinking t “you are in the middle of a mess”. He tried to solve the prob-
lem by taking one day and one problem at a time. He feels also that the accident with the
shelf gave him an opportunity to recover from the whole situation.

Coping

Peter is working now at Coop where he is in charge of the decoration. He feels that he
lives a more normal life, now he has time for things he previously did not. He has more
time for the family and that is very important for Peter because it is something that he tru-
ly enjoys. He feels that he is in a better place now than before the bankruptcy. However,
he does not feel stimulated at his current job since he sees himself as a leader and he likes
having contact with the customers, at the same time he points out that it is a relief having
a normal desk job, Monday-Friday. He believes he will start again a company but with a
partner so he has somebody he can share the burden with.

5.5 Interview with Juan

Introduction
When we called up Juan he was just ending his shift at the car company he works at now,
he accepted immediately our request for an interview joking a bit with us in a typical way
that is only unique of a Latin person.

Background
Juan is a 56 years old, he moved to Sweden 25 years ago originally from Chile. During
his time here in Sweden he has started 2 businesses. He began his enterprise by himself
and had no employees; the business was an Auto repair shop as he had a passion for cars
and he wanted to help people with problems in their cars and at the same time wanted to
earn some cash for it.

Motivation
As stated previously, Juan was motivated to start an auto repair shop as he had a passion
for cars and he was good at it, so he thought he could make some money from doing this.

Failure
Juan blames his failure on the fact that it was impossible for an independent auto repair
mechanic to compete against the more established and larger firms. He specifically men-
tions the fact that as automotive technology got better, it was also more difficult for him
to adapt to these new technologies and harder still to get the necessary equipment to re-
pair these new cars. Equipment that he says often cost more than 100,000 kr. In the short-
term working as a mechanic did not turn out as Juan had expected despite his passion for
it. He filed for bankruptcy after 1 year and 2 months of operating the business.
Stress
When asked about the stress he went through, Juan surprisingly says that his does not remember experiencing any feeling of stress. When we asked him to explain he simply said "Every day brings something new". He says that he just accepted the fact that the business did not work as planned and he did not let it affect him emotionally, he was confident that if it did not work out he would find something new. In his own words he continues "Like every human each day is a new challenge and we must survive in the end, so that is what I did, I rose to the challenge". It is appropriate to note as well that according to Juan, his economic loss after bankruptcy was very minimal, approximately 10,000 kr.

Learning
When asked what he had learned from this experience Juan tells us that he should have thought of better ways to open up the repair shop. Perhaps it would have been better to get other people involved so a more advanced repair shop was available he says. So if you by any chance happen to have 8,000,000 kr we can open up a new shop he joked. He felt that having had his own shop left him something positive, a good experience that always leaves something.

Coping
Juan’s coping with the whole situation was quite positive, after he shut down the shop he got right back to his feet. He looked for a job and this day he is still working as an auto mechanic. Of course he is now working in a larger business and he still has plans to open his own shop eventually.

6Analysis
This analysis carried out a cross examination of the empirical findings and the theoretical framework to find out if any type of patterns were present as well as evidence on how entrepreneurs cope when faced with failure. The structure of it was based on the theoretical framework which made it easier to point out the findings that were made and answer the research questions.

6.1Introduction
The first part of the analysis focuses on the primary appraisal from an entrepreneur’s perspective, more specifically how they judged the situation because of the failure. The second part deals with what resources they had to cope with the situation and lastly we will present the interaction between these factors. Throughout the structure we will also emphasize on the remaining parts of the theoretical framework such as the re-appraisal to better illustrate the respondent’s coping process. After illustrating the coping process this study can develop a better understanding on how entrepreneurial failure affects the individual.
When analyzing the material we gathered we could clearly see patterns of reactions that the respondents experienced, for example four out five felt threatened towards the feeling of uncertainty created by failure and did not know what their outcome would be in the future. As a result the uncertainty of the future brought stress to their lives. These findings indicated that theory and practice were almost identical. To illustrate these findings and how they act related to how the theory claims to we have chosen to use the structure of the Cognitive Appraisal theory (Lazarus & Folkman 1984). That is the main theory used on this research and by using it we can illustrate the pattern of coping with failure in a more concise way, however we are also interrelating the rest of the theories mentioned on the theoretical framework to provide a more complete analysis. This will illustrate the process in a clearer way so that the reader can easily see which strategy the respondent chose according to what the theories stated.

6.2 Analysis of David

Primary appraisal

David’s early experience of starting up a new restaurant was perceived as Benign - Positive since the situation was sensed as beneficial, he described it as the most exciting thing he has ever done in his life. The encounter of the environment is perceived as beneficial and therefore the appraisal takes form in positive feelings (Lazarus & Folkman 1984). For example, in David’s case, joy.

However, after only eight months, David and his partner experienced difficulties due to the fact that their capital was immensely reduced and was starting to run out. They started to pile up a debt of three million SEK only after eight months and for some individuals this situation can be very stressful, but David had hope and he kept his business operating for three more years. This can depend on the way a person interprets a situation which is a crucial event when evaluating the degree of stressor (Snyder 2001). If we believe that we do not have a lot to lose the stressor is low (Lazarus & Folkman 1984). That can be the reason why David kept his business running since he realized that he would be in debt no matter what, he could either file for bankruptcy or try to turn the situation around. The motivation for operating the business as stated by him was that "we had nothing to lose".

However, according to Lazarus & Folkman (1984), any thought of uncertainty towards the future creates stress. The uncertainty was finally hunting David, although in the beginning he did not believe there was a chance for failure, but later on he started to realize that he was wrong. He spent a lot of time thinking about it, what he could do and that itself induced a lot of stress. Finally, the failure was a fact and the uncertainty brought a lot of stress since he did not know what would happen. The uncertainty of the future brought so much stress that he wanted to escape from Sweden.

Then, David received new information and the appraisal changed. According to Lazarus & Folkman (1984), when this happens we are faced with a re-appraisal. Any modification in the environment will lead to a new evaluation of the situation (Lazarus & Folkman 1984) and for David this brought new hope. He received a pay-back-plan for his debt and information that he could be debt-free by 2014. This information provided David with the belief that he could control the outcomes and therefore he saw hope. David decided to stay in Sweden and fight the battle. It is obvious that David’s primary appraisal changed.
from threat to challenge. According to Lazarus & Folkman (1984), a challenged person can see benefits to gain from a specific strategy. This could explain his new attitude "I would be free from debt by 2014".

Secondary Appraisal

David clearly experienced stress accompanied by a feeling of threat when realizing that he was in debt, however he did not apply for bankruptcy instead he continued to fight for success. The choice of keeping the firm operating for three years even with an outstanding debt was the result of knowing that there was not a lot at stake because he was already in debt “We have nothing to lose”. He reacted by blaming the accountant for not providing them early with the right information about the problem, but he was also more motivated to work in his restaurant since he believed and hoped people would realize how good they were. People choose this path because they believe they can take the needed actions to achieve their goals, the term is called Efficacy Expectation (Lazarus & Folkman 1984). However, looking back at it, David regrets his decision and as a result, his choice created stress and in the end he only got a negative outcome for himself.

The uncertainty-factor was a big stress-factor, he spent a lot of time evaluating his options but without reaching any conclusion. This kind of actions are a part of the secondary appraisal, because its an evaluation of what resources we have and what is at stake (Lazarus & Folkman 1984). However, his coping efforts were inefficient because the uncertainty brought more stress into his life. To tackle the problem David started to work at another restaurant, it was a chance to get away from the stress. He embraced the emotion-focus strategy, specifically, avoidance. This is likely to happen when the situation is perceived as hopeless, when we want to deny what really happens and its significance (Lazarus & Folkman 1984). The restaurant was David’s lifetime dream and it failed so he responded by denying the failure and its effects. The avoidance strategy did not succeed to decrease David’s stress. Finally, they filed for bankruptcy but David did not abandon the avoidance strategy. He used his resources to work and avoided thinking of the future. The uncertainty of how the bankruptcy would affect him brought a lot stress into his life, which is not unusual since any uncertainty will produce stress and any threat will lead to negative thoughts towards the future (Lazarus & Folkman 1984).

Then, David received and accepted a payback plan for the loan he took from the bank, as a result his stress level considerably lowered. The resources available to cope with the stressor increased, he had knowledge to decrease the uncertainty feeling, so he used that to reduce his level of stress. He had a sense of control and challenged people are better at taking advantage of the resources available to cope with the stressor (Lazarus & Folkman 1984). In this case, it was the problem-focus strategy that was dominating. He attacked the problem with practical actions, by accepting a payback plan that would gradually clear his debt. The Problem-Focus strategy can take different forms and it is primarily external (Carver, Schiffer, Weintraub 1989). He choose to look at his life more positively by appreciating the most important things such as having a roof over his head as well as food on his table.
Interaction

Scene 1: David finds out his firm is in the brink of failure, he is already in debt and he misunderstands the accountant’s information and believes that he will be in debt three million SEK. He feels that he has nothing to lose by trying to turn the situation around and continues to operate the firm.

David starts by blaming the problem on the accountant and he becomes more motivated to succeed since he has a belief that his goals are reachable. The situation is forecasted as a threat although his stressor is low due to the belief that he had nothing to lose. However, this strategy had uncontrollable and negative outcomes by increasing the stressor in his life.

Scene 2: David starts to be unsure about the success of his restaurant; he starts to think a lot about it. However, without coming to any conclusions to decrease his stress, he starts to work at another restaurant.

The cognitive appraisal backs up the feeling of threat since the risk is high (i.e. having a vast personal debt and seeing his life time dream fade away). According to the Lazarus & Folkman (1984), the outcome can be that the person may feel hopeless. A Pattern that indicates that David felt hopeless is that he did not know what to do about the situation. His personal resources to reduce the stress were scarce. He reacts with avoidance and the outcome is that he starts to work at another place and purposely avoids to work at his firm.

Scene 3: David has no luck in reducing his level of stress and finally makes the decision to file for bankruptcy. He interprets the situation as harmful and negative thoughts about the future appear. He feels that he has been scammed by his accountant as well as by his trustee. He also evaluates what resources he has to cope with the situation and the desperation makes him consider escaping Sweden.

The cognitive appraisal takes form as harm/loss since the failure is a fact and ”the stakes are high” because the debt can effect his life negatively and therefore the uncertainty of the future induced a lot of stress and he even considered escaping Sweden. David expresses his feelings by blaming on external factors, he blamed the accountant for not providing them with the real financial status of the firm and the trustee for scamming them although he is aware of the internal factors that caused the failure. The feeling of blame also triggered anger within David and he has still not found himself any way near of reaching a personal closure to this situation ”that makes me angry and probably will be for the rest of my life”.

Scene 4: When the bankruptcy is final David experiences an enormous feeling of disappointment, however he receives new information about the amount of the debt and a pay-back-plan. He changes his mind about escaping Sweden and takes on the battle. He suddenly finds comfort in the fact that he has the basic things in his life to survive which are; a roof over his head and food to eat.

This next scenario begins as the previous one by having a high risk. Although David is falling threatened and disappointed, he finds hope (i.e. pay-back-plan). The cognitive appraisal became challenging rather than threatening since he believed he had the power to affect the outcomes”. ”I will be free from debt by 2014”. Lazarus & Folkman (1984)
state that when people believe they can control the situation they find it challenging to overcome difficulties and be positive. The stressor decreased in his life and he finally felt relieved.

**Coping**

The success of David’s coping process is divided into two parts. He still feels angry because he believes that he was misinformed. He expresses blame on external factors instead of looking at what he could have done differently. To accept the failure and move on he needs to change his coping strategy. Currently, David is unsure if he will ever find closure to some parts of the failure experience.

On the other hand, he has successfully coped with the failure because after receiving the new information (i.e. pay-back-plan) his appraisal changed from threatening to challenging. When a person is challenged to overcome difficulties she can perceive a situation as being positive (Lazarus & Folkman 1984). In this case, David chose to look at the situation positively by developing a sense of hope. On the other hand, challenges are being perceived as situations that a person can control in some ways (Lazarus & Folkman 1984) and David knew he could solve his situation by paying back until 2014 and also by concentrating on the most important things he needs which are food and a roof over his head.

He believes he has gained more knowledge derived from the failure experience and he has not given up his entrepreneurial dream. ”Not a chance I’m going to be employee for the rest of my life”. He plans on opening a catering firm in the future.

**6.3 Analysis of Sergio**

**Primary Appraisal**

Sergio first opened his restaurant with high hopes and enthusiasm. It had been his life time dream to open his own business and he had now done it along with two other associates. With an ever popular Italian cuisine to satisfy his customers what could go wrong? Sergio felt that his business idea was excellent as far as the amount of benefits he would receive. If the situation is perceived as beneficial, the appraisal can take form as having pleasurable emotions such as joy, love, happiness or peacefulness, this is called a benign positive appraisal. (Lazarus & Folkman 1984). After some time had passed however, Sergio soon realized that the demand for Italian food was not as high as he had expected, it was a small town after all. This can be said to have been Sergio’s first appraisal of the possibility of failure. He was affronted with a situation that can be categorized as one of anticipated harm or loss as stated in the Cognitive Appraisal theory (Lazarus & Folkman 1984). Sergio felt the threat of losing his business, if he lost it he would lose all the money he had invested into it and also put his family at risk by not having enough money to provide for them. Once again we discern how the loss of money can put a person in a personal bankruptcy which will induce negative thoughts of him, and the situation perceived as threatening. This outcome is not unusual since every loss/harm may bring negative implications (Lazarus & Folkman 1984). The reason why
he perceived everything so threatening was also due to the uncertainty of the future. How an uncertainty will create a higher degree of stress.

Besides the threat it can also be said that Sergio also felt challenged. He thought he could get back on his feet and provide for his family once again. Lazarus states that there are some similarities between threat and challenge because both appraisals call for the mobilization of coping efforts, and one does not necessarily excludes the other, so feeling both at the same time is obviously a possibility (Lazarus & Folkman 1984).

**Secondary Appraisal**

Sergio’s threat required an immediate course of action. To confront this problem, Sergio proposed an increased marketing tactic to make more people come to the restaurant, he also proposed to reduce the time the restaurant operated in low days, or times when there was not much clientele. According to the Coping Theory, Sergio’s reaction to the situation was what is known as the Problem Focused Coping (Lazarus & Folkman 1984). A problem focused coping means that he tried to tackle and confront the problem by solving it with practical actions which exactly describe Sergio’s actions in this case. This reaction from Sergio however was only temporary as his two other associates did not agree with his methods and did not want to change the way the restaurant was operating.

Eventually, they had no choice but to file for Bankruptcy and Sergio lost 250,000 to 300,000 SEK. Once the failure of the business was concrete, Sergio came into a new type of appraisal; probably it was the hardest part of the situation. He was jobless, moneyless, and had a family to support. So much was the stress that he describes the situation as extremely stressful. In order to cope with his stress, Sergio decided to utilize the only resource he had to tackle the stress with. This resource was "Time". To keep himself occupied, Sergio engaged all his time and put it into spending it fully in the bankruptcy process. He did this as a coping effort to decrease his uncertainty and to know and be in control of what will happen to him (Lazarus and Folkman 1984). The Problem Focused coping is dominant since he sought to tackle and find a solution using his resources. By spending time in this process Sergio learned that although the bankruptcy had affected him, it was not the end of the world since he would not have to pay all the debts at once, etc. This brought a new appraisal for Sergio which turned out to be a positive one; he could solve things out and get back to his feet. Coping can also change from time to time; the person can choose to look at in a more positive way (M-L. Kristoferzon 2006). The person can come out from bad experiences stronger and smarter, they can also be glad for things the experience may have brought with, for example new knowledge. As he did not externalize or blame it on anyone else as it is also stated on the Coping theory. He viewed the whole experience in a new "light" and by doing so he started understanding how the bankruptcy could affect him.

**Interaction**

- Scene 1: Sergio realizes that his restaurant is not working as well as he had expected. The number of customers the place gets is not enough to cover the costs. He engages in trying a new marketing tactic to increase awareness, but this too does not function well.
A lot is at risk in this scene, both economically and affecting Sergio and his family’s well being. For this reason the stress level is quite high. To cope with his stress and to address the problem, he engages in doing more marketing and that does not work too well either.

- Scene 2: Sergio is still struggling to maintain the restaurant alive. His marketing tactic did not work out so he engaged in trying to reduce the operating hours of the restaurant to reduce the costs. This, however, is met with refusal from his partners.

When facing a threat, Sergio first tackles the situation with a Problem Focus coping, Problem Focus coping basically tries to find a practical solution to confront and improve a given situation (Carver, Schiffer, and Weintraub). However, realizing that his solutions were not working out as intended and worse yet his partners did not agree with them, David quickly falls into an emotional coping response to a threat which according to the theory occurs when a person decides to internalize the whole issue and starts to feel stressed from the uncertainty (Lazarus and Folkman 1984).

- Scene 3: The costs are too great so all three partners in the restaurant make the decision to file for bankruptcy. Sergio is initially devastated, he has lost around 300,000 SEK and to make matters worse he feels a great deal of stress as he has no job and does not know what awaits him and his family. To take his mind away from the stress he becomes deeply involved in the bankruptcy process and this in a way helps him to reduce the stress level. He starts to understand what exactly went wrong and learns that in the future what things he should do and what he should avoid to make a business work.

In this scenario we can see that initially Sergio feels a great loss and harm upon the bankruptcy since he and his family have been affected economically. To cope with this, David decides to engage himself in the bankruptcy process fully and this helps him keep his mind off from things and shows him that although a lot of money is lost its not the end of the world. He comes to the conclusion that he is going to be fine and he learns how in the future he should do things correctly to make his business a success. The uncertainty in this stage is no longer an issue and this helps Sergio cope in a more positive way. His appraisal changes to one of Benign Positive in which he no longer views the situation as a threat but rather as something useful that left him a few valuable lessons in life. Coping can also change from time to time; the person can choose to look at it in a more positive way (Kristoferzon 2006). This is exactly what Sergio did; he changed his way of coping with the situation entirely and actually learned something.

Coping

By analyzing Sergio’s coping process we can take notice that it varied and often changed throughout the bankruptcy process. When he first saw that the restaurant was not doing well, he was being more problem focused and tried to come up with solutions to confront the problem (ex. He engaged in more marketing, and shorter working hours). When this did not work, the degree of uncertainty for Sergio increased causing his stress levels to go up. He was very stressed of what was going to become of his family without a job and money. To cope with this stress Sergio decided to become heavily involved in the bankruptcy process. This helped him to see that although the business had failed, he was going to be able to solve the problem and pay off the debt. This gave him new hope, and thus his perspective became one of challenge where he decided to get back on his feet and find a new job.
6.4 Analysis of Harald

Primary Appraisal

Harald opened up an IT consultancy business with high expectations as it was an area of business that had always appealed to him. He had been tipped off by a friend as to the possibility of joining an IT company in a partnership, so seeing the situation as something positive that could benefit him, Harald decided to go for it. He signed the deal and became a partner in the IT firm. However, as time progressed in the business, he soon came to the realization that although his business was functioning seemingly well, his partnership with the other owner was not. However, many complaints were received as to the lack of personality of his partner and his unprofessionalism when dealing with customers. To further worsen the situation there was a lot of refusal of the clients to deal with his partner, in many instances they asked only to deal with Harald directly. This can be said to have been Harald’s primary appraisal, he saw the problem of his partner and viewed it as as a Threat/Challenge situation. According to the theory (Lazarus & Folkman 1984), he viewed it as a threat the lack of competence of his partner and how it could endanger the reputation of the business, and a challenge because it was up to him to find a solution before the company was damaged further.

Harald’s initial reaction was one of anger and externalization of blame, which is not unusual for a person who is threatened and has a lot to lose. In this case his externalization of blame seems to be rightfully justified since his business is suffering and being affected by his incompetent partner. However, although justified the feelings of anger and externalization of blame as we analyse the situation, it did nothing to solve the problem. It is better to be problem focused as it is then that things get solved in our perspective.

Secondary Appraisal

Stress was also a big issue for Harald, he spent much of his time during the nights awake, being haunted by the fact of how his business was failing thanks to his incompetent partner. He needed to address this issue, how was he going to do it? According to the Cognitive appraisal theory, the secondary appraisal is a process of evaluation of the resources the person has to cope as well as choosing a strategy that will be successful, but it is also an evaluation of the outcome of the chosen coping action taken (Lazarus & Folkman 1984). In order to deal with his problem Harald evaluated, he came to the conclusion that he had to get rid of his partner and that way, perhaps, his business could succeed. He viewed the outcome as finally being able to run a decent business without being held back. So, Harald decided it was time to put an end to the business relationship he had with his partner, so he filed for bankruptcy. This can be said to have been his secondary appraisal, he knew that he would lose money but he could not continue to work with such an incompetent partner which was only darkening the reputation of the business and not benefitting the enterprise in any way. A re-appraisal also occurred as soon as his former customers started contacting him and gave him support which in turn gave him the confidence to open up a new firm, this time by himself. With the new found knowledge revolving in his environment, he chose to cope with the situation differently and in a more positive way, which fits exactly with Lazarus’ Reappraisal Theory (Lazarus & Folkman...
1984). He decided not to focus on brooding and being angry, instead he decided to come up with a solution to the problem, which in this case turned out to be simple, he filed for bankruptcy and opened a new firm. Obviously, with the lack of competence from his partner, Harald’s business was suffering. His reaction was one Emotion Focused in which he externalized the blame on his partner. To cope with this emotion he decided to declare the enterprise as bankrupt and that way get rid of the unwanted association. Once this was done it is clear that his emotion focus changed, he started to feel positive and less stressed when his friends and family started calling to sympathize with him and show him their support. Lazarus (1984) states that some people deal with stress differently; some seek the social support of others to overcome their stress and relieve themselves (Lazarus and Folkman 1984). It is clear that this is exactly what occurred to Harald, once he saw the support, he felt an increased confidence and rose up to the challenge of starting a new firm this time by himself.

**Interaction**

**Scene 1**
Harald starts to receive complaints regarding his partner who is inefficient at doing what is expected of him by the customers. Harald is now aware of the problem and starts to think of what he can do to solve the problem. However, he does not find any solution and the uncertainty of not knowing what to do brought a lot of stress into his life.

*The scene starts by having a high level of risk, due to the risk of the whole business going bankrupt and therefore Harald feels threatened. To cope with this threat he engages in an Emotional Focused coping process that results in him blaming his partner and feeling anger.*

**Scene 2**
Unable to solve the situation with his Emotion Based coping and feeling that the company was becoming a burden, Harald starts receiving calls from friends and family who show their support. This gives him new energy and he now decides to cope with the situation by declaring the business bankrupt.

*Upon receiving support from his family Harald’s coping process becomes different, he does not view the situation as the end of the world. As the coping theory suggests (Lazarus & Folkman 1984) it is a process that can change over time, when an alteration in the person-environment relationship happens this will create a re-evolution of what is happening, as well as identifying its significance and also thinking what can be done. A person can choose to look at it in a more positive way (Kristoferzon 2006). This is exactly what happened to Harald in view of the support he had, he now decides to tackle the situation and do something positive. He now feels challenged, thus he declares the firm Bankrupt. The risk was low since he felt that the company was just a burden, therefore the stress of the bankruptcy was low and instead he felt a sense of relief.*

**Coping**
Just like in the other cases, the coping process that Harald engages in throughout the bankruptcy process changes and evolves at different points. In the beginning, when Harald was presented with the opportunity of investing and becoming a partner in the IT firm, he viewed the situation as positive and therefore decided to invest. When a few months had passed and the problems with his partner began, Harald’s coping was initially one of Emotional Internal Response in which he felt stressed and also frustrated. This was due to the degree of uncertainty that he did not know what was going to happen with the business. Upon the bankruptcy, Harald perceived the situation as a challenge and therefore his coping was more positive, so he engaged in trying to start a new business. Thus, he opens up a new IT firm, which he does by himself having learnt that partnerships can often be inefficient, a wise lesson for Harald was left which was never to mix friendship with business.

6.5 Analysis of Peter

Primary Appraisal

Peter believed in his company and in one sense he considered it as a family business because his father was the founder of it, so when the bankruptcy was about to happen a lot of stress was felt by him. This situation can be explained when a person is expecting a loss/harm he or she feels threatened and the higher the risk is, the amount of stress increases (Lazarus & Folkman 1984). After suffering the third scam, Peter decided to file for bankruptcy, so the encounter was harm/loss and the situation became threatening due to the uncertainty of the future. Lazarus & Folkman (1984) state that a feeling of threat appears due to the happening of a loss/harm situation, when a person loses something negative thoughts about the future appear and these are major creators of stress (Lazarus & Folkman 1984) “After the bankruptcy happened I felt a different type of stress than before, I started feeling uncertainty towards the future, not knowing what would happen”.

Secondary Appraisal

Before the bankruptcy took place Peter used to work long hours to reduce his own level of stress, but this strategy seemed to be inefficient because he still suffered from the side effects of having a high level of stress. For example, he did not eat anything for a whole day, his phone had to be on silent mode for him not feel disturbed, etc. He focused mostly on the task he was working on; this indicates that Peter was avoiding the thoughts of failure in a way that he tried to focus on other things rather than the bankruptcy. At this stage, Peter believed that if he avoided thinking about his failure and focusing on his work the level of stress would decrease. The choice of strategy could be the result of the situation being hopeless (he could not do anything to prevent the loss). When we cannot change the harm/loss or threat it is likely that we take our resources from the Emotion-Focus strategy to maintain hope or optimism (Lazarus & Folkman 1984). However, Peter
believes he is good at handling stress but at that stage the resources seemed to be limited to reduce his stress level.

After that, the failure became a reality and it brought even more stress, the uncertainty was the major factor controlling his level of the stress. Peter evaluated what he could try to do to reduce his level of stress and realized that he needed to escape from it; he tackled the problem with the Problem-Focus strategy by taking a week off with his family and distracting himself with some quality time with his loved ones. Lazarus & Folkman (1984) state that the problem-focus strategy can take form as seeking new channels to feel better. Also, Carvet Schiffer & Weintraube state that the Problem-Focus strategy can take forms as seeking new activities. Analyzing Peter’s reactions combined with the tone of his voice while he talked about that weekend he spent away, made him sound as if he would have experienced a successful event. However, the avoidance strategy was still a part of this mentality of “I wanted to get away from it all” and although it was successful in the short-run, his strategy was still inefficient since his stress level back home was still the same as before the weekend. Also, this pattern of reactions was not surprising to discover since the theoretical framework of this study states that in a hopeless situation it is very likely for people to use this strategy (Lazarus & Folkman 1984). In this case, Peter expressed a feeling of hopelessness and confusion, since he is not sure how he handled the stress, he just remembers thinking “you are in the middle of a mess”.

Shortly after the failure Peter suffered an accident where he got a herniated disk. This could have been considered as an extra burden for him but instead the time he got to rest helped him recover from the failure. Peter expressed a feeling of gratitude since he is glad that it happened because it gave him the opportunity to recover emotionally from the failure. The available resources to cope with the failure increased because of the change in the environment and as a result the secondary appraisal also changed (i.e. new resources) (Lazarus & Folkman 1984). The respondent was under a lot of stress during the first 3 months and tried to solve the problem one day at the time. One major resource he used was the social support; he had people around him he could share his feelings and experiences with. The coping became efficient which could be explained by the way he changed his emotional strategy, from avoidance to seeking/receiving social support since he expressed that the social support he got was of huge help to recover from the failure. According to Carver, Scheier, Weintraub (1989) the Emotion-Focus strategy can commence by seeking social support and feeling proud for overcoming your problems.

Peter starts to take advantage of his earlier experiences in sports to cope with the failure. The way people cope with stressor depends on their individual differences (Snyder 2001) and this implies that we can take advantage of our experience and personality. Peter became more receptive for a change "you have to accept it and move on", so his coping efforts focused on himself and changing its own behaviour. Also, by sharing his experience with his best friends he gained a lot of new knowledge. This kind of activity has been identified as the Problem-Focus strategy due to the direct action taken to overcome the problem. However, it should be noted that at this stage he combined the

---

1 It has to be noted that the accident he suffered also needed coping efforts from his behalf, but the only focus given to it by this study is on how it affected his coping process towards his failure experience and how it gave him an opportunity to deal with his feelings, as well as a providing him with a wider perspective of the failure.
Emotion-Focus strategy with the Problem-Focus strategy. Coping involves often a combination of emotions and actions (Snyder 2001).

Interaction

Scene 1: Peter is aware that his firms are going to fail; he perceives the situation as threatening because he is expecting loss/harm. He knows that he cannot do anything about it, so he decides to work non-stop and just focuses on the task. Since Peter knows that the failure cannot be avoided, the situation can be perceived as hopeless.

The cognitive appraisal process is perceived as threatening because the stakes are high and he perceives the situation as hopeless. The outcome of Peter’s appraisal is avoidance.

Scene 2: Peter’s firm fails and he perceives the situation as threatening due to the uncertainty of the future. He embraces the avoidance strategy and tries to lower his level of stress in the short-run by escaping from his current environment. Back home he perceives the situation as harmful due to the losses and as a result he expresses his disappointment to other people. He feels scammed.

Peter expresses his disappointment by blaming the problem on external factors although there was internal factors that effected the failure as well. The outcome of blaming others for his disappointment was anger. Peter expressed that process with words by saying that after feeling disappointment he felt anger. In this case, the appraisal process can illustrate and provide a bigger insight on the cognitive meditation of the stress reaction and coping process.

Scene 3: Peter happens to have an accident which forces him to take some time off from his work routine. Peter’s situation is still inside a harm/loss environment, however the accident gives him an opportunity to recover from the failure. Peter starts to focus on internal coping by talking to his friends and family. For a long time he has been a person that practices sports and he has learned that sometimes you win and sometimes you lose “you have to accept it and move on”.

On the 2nd scene, the scenario starts as threatening, however on the 3rd scene the environment shifts and the re-evaluation of the situation happens. Lazarus & Folkman (1984) state that any shifts in the environment regardless of its source will lead to a re-appraisal. In this case, Peter’s resources increased since they gave him an opportunity to think and take advantage of the social support from his surrounding. We can see that he finds comfort in the situation and feels hope "you know you get 100 crashes before you get one success" by taking advantage of his earlier experience. Therefore, the cognitive appraisal becomes a challenge rather than a threat. A challenged person feels less emotionally overwhelmed (Lazarus & Folkman 1984) and Peter abandoned his anger and experienced a relief.

Coping

By analyzing Peter’s coping process we can see that he went through different stages, moving from threat to challenge, from having inefficient coping efforts to efficient ones. Coping is a process that can change over time (Kristoferzon 2006). Although Peter combined both the Emotion and the Problem-Focus strategies, the emotional one was the dominant one. Peter chose to have a more positive view of the situation by accepting the
failure and moving on. He looked for a positive value derived from a negative event and feels blessed with new knowledge gained. Lazarus & Folkman (1984) mention that a person can feel blessed with new knowledge after they have coped with an experience.

Peter feels that he is in a better place now than before the failure. He enjoys things in life that he did not have the time to do before the failure happened. Peter expressed his view towards the failure as a decision he never regretted and he mentioned several learning’s from the experience. Also, his failing experience is not enough to suppress the entrepreneurial spirit in him since he believes he will start a new venture again someday, however next time he will rather partner with someone to share the burden with.

6.6 Analysis of Juan

Primary Appraisal

Juan had a passion for cars ever since he moved to Sweden many years ago from his native country of Chile. Because of this passion, he decided to open up a Auto Repair shop, why not do something he enjoyed and get some cash at the same time, he thought. Shortly after starting his enterprise Juan started to notice that there were several problems with his business. Firstly, he became aware of the fact that he did not have the knowledge or the proper equipment to repair some of the more modern cars. Also, competition was very tough since he ran the shop by himself and had many bigger competitors who were stronger, had more employees, and were overall more efficient than him. It was then that Juan had his primary appraisal. He came to the realization that his business was going to fail. He did not view it as a threat though, instead he viewed it as a challenge to overcome what was inevitable and continued living as best as he could, "I never felt any stress, why should you feel stress, when each day is a new day and as every human it is up to live each day and rise to any challenges that come up in front of us"(Juan 2008).

Secondary Appraisal

Rather than wait until he was overridden by the competition, Juan anticipated the harm and the loss and decided to engage in an immediate course of action. So after 1 year of functioning his business he filed for bankruptcy. Since he filed for bankruptcy in due time, before the losses were too great, his total loss was a mere 10,000 kr. When asked if he felt stressed during and after the bankruptcy, Juan is quick to disregard any sort of stress. His optimism and lack of stress could be due to the fact that he did not lose much economically or was quite unaffected with the closing down of his shop. His loss was also not very significant since he was running the shop out of his own home and he had no employees. This goes back to Lazarus’s Theory of Coping, the less is at stake the less stress there will be, the higher the stakes the bigger the stress level is (Lazarus & Folkman 1984). Furthermore, his reaction may be explained by Lazarus’s Challenge Appraisal in which a person that feels challenged is more confident and less emotionally overwhelmed, and is better at taking advantage of resources available than a person who feels threatened. (Lazarus & Folkman 1984).
Interaction

Scene 1: Juan views the opportunity to open up a new enterprise and his appraisal is one of joy and happiness since he views the possibility of owning his own auto repair shop as something positive and benign, as he has always loved cars.

Juan views the situation as a benign positive scenario that will bring him some money while working on something he enjoys. He manages his resources and opens the auto repair shop in his garage.

Scene 2: Juan knows that his business is on the road to failure, however his options are many, and he does not view the stakes as high enough to provoke him any stress or disappointment. This is because he can always get a new job.

Juan does not perceive the situation as positive but he is aware that even if the business goes wrong he has the possibility of getting a new job. The cognitive appraisal theory gives support to having low risk, since he has several options and his investment money is not significant. Therefore, he feels challenged rather than threatened. The outcome of his coping is that he woke up the day after filing for bankruptcy happy, and worryless.

Coping

In general, we can see that Juan’s coping throughout the whole process of the bankruptcy remains consistent. He perceives the situation as a challenge and never, at any point, does he feel stressed or is affected emotionally by the fear of uncertainty. This happens since he obviously has not much to lose and the stakes of his situation are not high enough to provoke for him a negative emotional response. His coping is benign positive according to the Lazarus and Folkman Appraisal Theory; he knows that he has options and this in return inspires him to cope well with the situation.

6.7 Summary

This section will provide a short summary of the analysis.

Coping efforts in this study show that coping is a process that supports Lazarus & Folkman (1984) belief that coping is a process. The coping efforts towards failure started before the bankruptcy actually occurred due to their intuition of possibility of failure. Although the coping process varied depending on every individual, every situation still had many similarities in its coping process. The coping process can take different shapes due to their individual differences (Snyder 2001).

The way the respondents reacted towards the failure was mainly a reaction of the secondary appraisal, depending on how high the risk was. If the risk was high they perceived the situation as threatening or as a harm/loss. The cognitive appraisal took form of a threat in four cases out of five, since they all had either emotional or physical investments in the firm. The fifth differed on its response due to the low risk involved. He had several options and his loss was low, so therefore he saw it as a challenge. After the bankruptcy,
he moved on without any problems. The other respondents showed different reactions towards the failure.

Two of the respondents reacted with avoidance to the acknowledgement of the failure before it actually happened; it was an outcome primarily out of their interpretation of the situation being hopeless. However, although not everyone reacted directly with avoidance, they did perceive the situation as a threat, but instead of figuring out what they could do about it, or what could have been different, they reacted by blaming the problem on external factors. Lazarus & Folkman (1984) claim that the outcome derived from blame is anger rather than depression. This study supports that conclusion due to the fact that all respondents that reacted with blame had the outcome of getting angry.

When the appraisal took form as harm/loss four out of five reacted by having negative thoughts about the future, and the uncertainty of the future hunted them all. When we lose something valuable the reaction towards negative thoughts regarding the future happens since we believe our life is going to get worse (Lazarus & Folkman 1984). That could be the reason why they felt threatened by the situation. However, it is important to note that the time of this event differed from respondent to respondent due to their specific situation and experience.

In most cases (4 out of 5) a re-appraisal happened, either because of a shift in the environment, or because of their own thinking. According to Lazarus & Folkman (1984), any shift, regardless of its source, will lead to the re-evaluation of the situation. The re-appraisal brought hope to the respondents. When they received new information that gave them hope, they interpreted that they had the ability to handle the situation and the appraisal changed from threat/harm/loss to challenge. Although challenged environment requires effort with coping, it derived from positive feelings; the respondents can see benefits to gain by applying a specific strategy (Lazarus & Folkman 1984). If we take David for example, he saw an opportunity to get free from his debts. In that stage, when they felt hope, as well as having the knowledge on how to handle the situation, they experienced relief.

The coping process ended positively, with the exception of one case where the respondent was still blaming part of his failure on the external factors. However, they are all currently involved in other activities. One of them is operating his own firm and the rest of them are planning to start a new firm sometime in the future. They feel that the experience of the failure will help them succeed the next time. This would not be surprising due to the fact that many successful entrepreneurs have had previous failing experiences (Smith 2004).

7Conclusion

This section will provide a synopsis of the main topics stated on the analysis and resume the main purpose of the paper.

The main purpose of this study was to see if we could find any evidence on how entrepreneurs cope when faced with failure as well as setting the ground for further research on this topic. After analyzing the empirical findings we could in an early stage
notice that the entrepreneurs seemed to cope in similar patterns. That is to say that their way of thinking and reactions followed similar traits and paths, for example in the case where the respondent reacted with blame the outcome of it was anger. The theoretical framework was very useful since we noticed that entrepreneurs’ coping reactions and methods happened just as earlier theories had predicted. In this way our research contributes specifically to reinforce the solidity of these earlier theories since little research has been done on entrepreneurial failure. This paper shows how entrepreneurs have reacted as well as coped with a failure.

We found out that the entrepreneurs’ reaction varied and was affected mainly as a result of how much they had at stake. This is not surprising since people’s reactions depend on what resources they have to tackle the situation and how high the risks are (Lazarus & Folkman 1984). When the risk levels are high people tend to be threatened mainly by the uncertainty of the future, what is going to happen to them and their loved ones. We believe this reaction happens mainly because they cannot control the situation and in our research we found out that when the entrepreneurs got the knowledge of what would happen in the future and in a way came to have some power to control their own destiny, this made their stress level decrease. Once the stress levels were reduced they chose to look at the whole situation more positively and were challenged rather than threatened to rise and overcome the problem. A challenged person is better at taking advantages of specific strategies since they are less emotionally overwhelmed (Lazarus & Folkman 1984).

Since we know that people feel better when they are challenged and can look at the whole situation more positively, it is important to provide people facing entrepreneurial failure more knowledge on how they can handle the failure at an early stage. This is important from several aspects; from the entrepreneur’s, they can interpret the situation less stressful but also society will benefit from it by helping entrepreneurs to cope with the situation positively. It is already known that many successful entrepreneurs have dealt with failure at some point (Smith 2004) and they will only repeat choices that ended in positive feedback (Smith 2004). Entrepreneurs are people that add value to the society (Wickham 2004). It is therefore imperative to encourage people to continue with entrepreneurial activities despite after having dealt with a bankruptcy.

A failure does not necessarily has to be negative. In our research, the respondents could see benefits from it as well, such as gaining new learning’s and new knowledge about how things work and what makes them fail. This could be the reason why the entrepreneurial dream was still very alive in all the respondents.

8Discussion

On the basis of this research we have reached a series of practical implications that can be applied. These implications are brought up by our own critical judgement and pertain the objective of supporting and encouraging new entrepreneurs to start their own venture. It also aims at providing an extra source of help for any entrepreneur who may find herself facing adversity in their ventures.

We feel that this field of research has a lot of room for improvement. For instance, the
knowledge available for entrepreneurs on how to cope with a possible business failure is extremelly scarce. It is our opinion that a more established helpful guideline needs to be created by the goverment. This guideline should include a deeper understanding of how you reach bankruptcy and what happens during and after this process. During the process, entrepreneurs need a better explanation of the legal matters that accompany the failure of a venture. Also, the banking system needs to create some sort of booklet aimed at providing the entrepreneur with information on how to pay back a loan in case of a bankruptcy. This booklet should also contain general informative data on what exactly is the process of a bankruptcy and what happens to the entrepreneur during this time. This is bound to be of extreme usefulness to any entrepreneur since often, when faced with failure, entreprenuers feel lost and misguided. This situation creates a high degree of uncertainty on their lives, which results in a harder coping process and a lot of stress.

9Limitations and Future Research

During the course of our research we had several limitations. First and foremost, we had the fact that our study sample was reduced to 5 interviewees. The reason the sample included only five of them was because this type of research requires a lot of time and money (Lazarus & Folkman 1984), and therefore it was only possible to carry out the research out of a small sample. Not only that, but also these five interviewees came from the same region in Sweden. Therefore, our research does not have the base to draw concrete generalizations on this topic, but sets the ground for new research to take upon where we left off. The way we see it, the sample, in order to hold more validity must encompass a wider and larger sample of interviewees. Another weakness is the lack of time and limited resources that were available in order to create a more concise and accurate research. Another important weakness and limitation to take into account is the fact that this research was done studying cases within the nation of Sweden, which in turn makes any conclusion applicable only for Sweden. This research cannot take into account other countries and the situations their entrepreneurs face because each country has systems of its own, both legal and economic that greatly influence the major research question( How do entrepreneurs cope with failure?).

This study also focused mainly on male subjects. We did not purposely choose only men, but they happened to be the ones who answered positively to our interview request. It would be of great importance also to interview females with the same failing experiences and after that compare those results with the ones of the male subjects. Then, a focus should be established on trying to find out any correlation between women and men’s coping reactions towards failure.
10 References


HOLIDAY, ADRIAN. (2007). *Doing and writing qualitative research, 2.Ed London: SAGE*


SMITH, J. BROCK., MITCHELL, J. ROBERT., MITCHELL, RONALD. K. (2004). *Failing to Succeed: New Venture Failure as a Moderator of Startup Experience and Startup Expertise. Frontiers of entrepreneurship research 2004: pro-


11APPENDIX

Questionnaire
• Kan du berätta lite om dig själv?


• Kan du berätta lite om erfarenheter du har fått utav att styra ditt företag?

• Varför startade du ditt företag?

• Vad var din motivation för att starta ditt företag?

• Kan du försöka beskriva dina känslor, i samband med firman, på den tiden?

• När insåg du att den inte hade lyckats?

• Hur länge efter det fortsatte du med företaget och varför?

• Funderade du på möjligheten att den kunde gå i konkurs innan du startade?

• Hur har du kännt under tiden från att du skulle lägga ner den och nu?

• Har du kännt någon speciell känsla under den tiden? Tex ilska, skuld, lättnad

• Hur känner du nu?

• Hur reagerade människor runt om kring dig? - och hur påverkade det dig?

  var det du som tog första steget och tog hjälp av andra eller har dem försökt hjälpa dig under tiden du haft det svårt? På vilket sätt hjälpte det dig?

• Varför tror du att firman inte var lika lyckat som du hade velat?

  − Fanns det någon specifik anledning som ledde nedleagnin gen av företaget?

• Hur har du reflekterat på den erfarenheten?

  − Vad som gick fel och varför?
• Vad skulle du ha gjort annorlunda ifall du fick göra om det?

• Har du lärt dig någonting av den erfarenheten?

• På vilket sätt har du ändrat din syn på dig själv som resultat av den erfarenheten?

• Med vem har du diskuterat den erfarenheten?

• Hur har du hanterat konkursen? - Vilka handlingar har du tagit?

• Vilka handlingar eller åtgärde har du tagit för att handskas med stressen, som konkursen medfört?

• Ser du annorlunda på konkursen nu från då det precis hände?

• Vad har du gjort sedan nedlagningen av …..

• Tycker du nedlagningen har tagit med sig något positivt oxå?

• Tycker du att du är i en bättre eller sämre ställe nu än innan företaget gick i konkurs?

• Har du funderat på starta ett annat företag?
• Det här är en känslig fråga så det är helt ok och hoppa över....Hur har din ekonomiska situation förändrats av konkursen av firman?

• Skulle du kunna tänka dig att bli interjuvad igen om 6-12 månader?