2015

Leadership lessons from entrepreneurial failure: a phenomenological study

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LEADERSHIP LESSONS FROM ENTREPRENEURIAL FAILURE:

A PHENOMENOLOGICAL STUDY

A dissertation submitted in partial satisfaction

of the requirements for the degree of

Doctor of Education in Organizational Leadership

by

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December, 2015

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This dissertation, written by

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ACKNOWLEDGMENTS

I have a deep appreciation for my dissertation chair, program director, and professor Dr. June Schmieder-Ramirez and my committee members Dr. Andrew Harvey and Dr. John Tobin. They have guided me to refine the quality of this research paper. These extraordinary professors' teachings have significantly affected my academic life and my personal life. I am extremely fortunate that I could study and grow under their supervision during my years at Pepperdine.

I would also like to thank all participants of this study. Without their generosity and willingness to be my interviewees, I would not have been able to finish this research and gain a deeper understanding of the entrepreneurs' world.

My appreciation also goes to my parents, in-laws, and friends at FECC. Their encouragements and prayers have shaped who I am today.

Last but not least, I want to give a big thank you to my wife, Jenny, who gave her unconditional support to me as I finished my doctoral study at Pepperdine. I can hardly imagine that I could get this far without her.

VITA

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ABSTRACT

Small businesses are the backbones of the American economy and contribute nearly 46% of the U.S. gross domestic product. However, the failure rate for small businesses is high. Only half of all small businesses will be able to survive for 5 years, and only 20% of small business can survive 10 years. Failure is a common phenomenon among entrepreneurs of small businesses. This qualitative phenomenological study involved examining entrepreneurs' perceptions of their failure experiences. The study involved exploring the impacts of failure on entrepreneurs, the valuable lessons that entrepreneurs have taken from their failure experiences, and how they have applied what they have learned into business practices. Ten participants were purposefully selected for an individual face-to-face interview. The researcher created and asked 12 open-ended interview questions during the interviews under the framework of 3 research questions. Through analysis of the data gathered from the interviewees, the findings revealed that failure has a tremendous impact on entrepreneurs' finances, relationships, and emotions. The findings also included valuable lessons that entrepreneurs have learned from their failure experiences, including acquiring knowledge on business management, awareness of self-limitations, enhancing faith, and leading changes by setting examples and showing care to employees. The research also revealed entrepreneurs apply what they have learned from failure directly back into daily business practices. In the process, they had to accept their personal weaknesses by adapting to changes. Learning from failure is a continuous process. The lessons shared are critical to entrepreneurial growth, especially in leadership. What these entrepreneurs have learned and practiced is worth exploring in hopes of shedding light on entrepreneurial education.

Chapter 1: Introduction

> It is impossible to live without failing at something, unless you live so cautiously that you might as well not have lived at all, in which case you have failed by default.
>
> —J. K. Rowling, *Harvard Commencement Address*

> It's fine to celebrate success, but it is more important to heed the lessons of failure.
>
> —Bill Gates, *Business Insider*

An entrepreneur's journey is not always about seeking fortune and success. In fact, the journey is often risky. Not every new business venture will be successful. Some businesses may fail after years of development, whereas others may fail during their start-up stages. To most entrepreneurs, failure is a familiar theme and cannot be completely avoided. Whether big or small, everyone experiences failure in his or her life (Brodsky, 2013).

Entrepreneurs' attitude toward failure experiences can affect the destiny of their business venture. Some entrepreneurs, haunted by their failure experiences and suffering, have never been able to get back into business. Failure in business can cause entrepreneurs to suffer from stress and to lose confidence and commitment (Bruder, 2013). As it is challenging to cope with failures, some entrepreneurs choose to end their business, while other entrepreneurs choose not to quit. Instead, such resilient entrepreneurs are able to tackle challenges, learn from setbacks, grow into better business leaders, and eventually achieve success (Brodsky, 2013).

Failure is not a barrier to success for resilient entrepreneurs. Rather, they consider failure as an opportunity to help them identify and develop better ideas or approaches to reach their business goals (Knott & Posen, 2005). Business failure is the catalyst for entrepreneurs to reflect on and recover from business obstacles: to learn from the past mistakes and to cultivate and refine their leadership capacity as an ongoing progress. For instance, entrepreneurs who have experienced failure must rethink their assumptions of their business (Brown, 2008). Through reflection and a reevaluation of how they have operated their firm, entrepreneurs can develop solutions and make necessary adjustments.

Scholars have viewed learning from failure as a significant part of the entrepreneurial process (Baumard & Starbuck, 2005; Cannon & Edmondson, 2001; Cope, 2011; Ellis, Carette, Anseel, & Lievens, 2014; Politis & Gabrielsson, 2009; Shepherd, 2003; Stokes & Blackburn, 2002). However, existing discussions on the lessons entrepreneurs have learned from their failures, and especially from a leadership perspective, are inadequate. Therefore, the focus of this research was on this underdeveloped area. The aim was to explore leadership lessons that entrepreneurs have learned from their failures. The study also involved exploring what actions entrepreneurs have taken to apply these lessons into business practices.

Background

The United States is a place for people to pursue happiness and freedom, as well as a place for those who seek business opportunities. There were approximately 28 million small businesses in the United States in 2011 (Nazar, 2013). In the same year, the average number of new start-ups reached 543,000 per month. In spite of the subprime mortgage crisis that began in 2007, the average monthly rate of start-ups slightly dropped from 0.32% to 0.30% in 2012, and the average number of new businesses created monthly remained at approximately 500,000 (Patrick, 2013).

Over 50% of the U.S. working population (approximately 120 million) has worked in a small business (Nazar, 2013). In fact, nearly all jobs' net growth depends on the companies that have been in business for 5 years or less (Buchanan, 2011). Since 1995, small businesses have contributed 65% of net new jobs (Nazar, 2013). Hence, entrepreneurs and their enterprises play a crucial role in sustaining the job market.

Entrepreneurs are the backbone and the commerce builders of the American economy. Small businesses contribute nearly 46% of the U.S. gross domestic product (Nadel, 2013). In 2011, the revenues generated from small businesses reached $989.6 billion, which represented a 4.1% increase from 2010 (Nazar, 2013). Small businesses owned by entrepreneurs have a significant impact on economic development because entrepreneurs and their respective companies have been actively involved in nearly all economic activities in the United States (Kruja, 2013; Spulber, 2008). Through ongoing improvements, entrepreneurs bring better products and services to their customers. During this process, entrepreneurs influence the economic equilibrium through pricing, labor force, resource allocation, and transition structure (Spulber, 2008).

In addition, entrepreneurs are the essential advocates to create and stimulate innovations across industries. Many entrepreneurs have used opportunities to make innovations happen (Goyel, 2014). To succeed, entrepreneurs cannot stop searching for new solutions for the always emerging problems in the market (Goyel, 2014). Entrepreneurs profit most through innovation, which involves providing better and more suitable products or services that consumers need.

This innovative spirit prompts entrepreneurs to become pioneers by taking actions to enhance and even revolutionize old technologies (Mirela, 2008). Some classical examples include the late cofounder and chief executive officer (CEO) of Apple Inc., Steve Jobs, who introduced the iPad and began the era of personal tablet computers, and Elon Musk, CEO of Tesla Motors, who made the first fully electric sports car. These exceptional innovations significantly changed the landscape of the automobile and technology industries, respectively, even on a global scale.

Although entrepreneurs contribute greatly to the development of the economy and to innovation, their ventures are risky. Entrepreneurs start and operate their business in an environment full of uncertainties (McGrath, 2011). Under such conditions, the chance of failing is increasing. In fact, the chance of failing is high, especially at the business start-up stage (Raffiee & Jie, 2014). Nonetheless, failure is not necessarily bad for entrepreneurs. For instance, failures can bring opportunities for entrepreneurs to learn certain knowledge and skills that are necessary for venture success (Cope, 2011).

Through failures, entrepreneurs learn to evaluate the needs in the market more accurately. They obtain a more realistic view about their abilities and limitations. Also, they gradually grasp skills to properly brand and market their products (Cope, 2011; Yamakawa, Peng, & Deeds, 2010). Hence, failures do not hinder entrepreneurs but prepare them to be successful (Coelho & McClure, 2005).

Recent Statistics

The financial crisis of 2007-2008 triggered the collapse of large financial institutions, foreclosures in the housing market, and prolonged unemployment. The downturn in economic activities has also led to the 2008-2012 global recession. In the United States, the economic recession severely impacted the domestic job market. The total job losses reached a record of 2.6 million in 2008, which was the highest level since the 1940s (Goldman, 2009). Many people looked for alternative ways to achieve financial gains, as well as to turn their passion into a career. Consequently, starting one’s own company and becoming one’s own boss seemed appealing (Berman & Sherriff, 2013). In 2012, the early-stage entrepreneurial rate increased to nearly 13%, which was the highest level since 1999 (Wee, 2013). Between 2007 and 2011, the Kauffman Index of Entrepreneurial Activity demonstrated an upward trend of new businesses created each month, and the growth rate of new businesses grew nearly 10% from 495,000 in 2007 to 543,000 in 2011 (Kauffman Foundation, 2013).

Nevertheless, a rising trend does not indicate that starting a new venture is easy. Even though entrepreneurs are determined to succeed and do their best, they will not all end up with a successful business. According to Shane (2009), who studied the new start-ups established between 1977 and 2000, only 51% of the start-ups were able to make it to their 5th year in business. Almost half of these enterprises went out of business at the premature stage or earlier and were unable to reach their 5-year anniversary in business.

According to Ritholtz (2012), 25% of small businesses will fail in their first year, and the number increases to more than 50% at the fourth year. At the 10th year, a new start-up's possibility of failing increases to 80% (Carr, 2012; Ritholtz, 2012). Therefore, as the statistics showed, failure is a common phenomenon in entrepreneurial ventures and needs further exploration.

Statement of the Problem

Entrepreneurs have put great efforts in starting and developing their business. The considerable amounts of money, time, and passion they have invested into their business have generated strong emotional bonding between entrepreneurs and their business. Hence, entrepreneurs make their business part of their identity. When business fails, it not only implies financial losses, but also indicates emotional defeat that could haunt entrepreneurs for years (Bruder, 2013). A problem that exists is failure is a common phenomenon and has profound effects on entrepreneurs, but its social, psychological, and business values have been long overlooked and less explored, both in the society and in the business world.

Another problem is the overemphasis on success and success stories in the business culture and in academia. Entrepreneurs' success stories in their business ventures are widely studied, but their failure stories have rarely received equal attention or even been discussed (Llopis, 2012; Nisen, 2012; Wenzimmer & McConoughey, 2013). An overemphasis on success can be problematic. As Gino and Pisano (2011) pointed out, success can breed failure in some cases. After entrepreneurs have become overconfident or prideful due to success, their arrogance can become a barrier to continuous learning. As a result, entrepreneurs and their performance can get stagnant or even go downhill.

Success can be subjective to individuals and is not easy to copy, yet failures can easily be repeated and identified. Like a coin that has two sides, there are valuable lessons hidden in the failures that can be learning opportunities for entrepreneurs. For instance, compared with success, failure provides a clearer indication of the knowledge gap that needs to be bridged through learning (Raspin, 2011). In addition, as leaders of their own company, entrepreneurs can use failures as powerful sources to guide their leadership growth (Llopis, 2012). Failing to learn from failures, as the third problem, would end up not only missing the benefits that failures can bring, but also wasting entrepreneurs' resources and energy. Therefore, it was essential that the exploration of failure stories contributes to entrepreneurial education by bringing insights and learning both to existing and to prospective entrepreneurs.

Statement of the Purpose

This qualitative phenomenological study includes the failure stories of entrepreneurs of small businesses in the United States. Through an exploration of their failure experiences, this study reveals the lessons these entrepreneurs learned from their failures. Because entrepreneurs are leaders of their companies, these lessons may prompt self-reflection, add insight, and enhance entrepreneurs' leadership skills, styles, and capabilities. Hence, the first purpose of the study was to offer a different perspective of failures by viewing failures as opportunities for entrepreneurial learning.

Moreover, the study involved discovering how entrepreneurs have applied those lessons to their businesses and identified specific actions that entrepreneurs have taken to lead their businesses in the midst of failures. Therefore, the second purpose of the study was to provide practical ways for current entrepreneurs to cope with challenges and failures. The aim was to help current entrepreneurs adopt a positive outlook toward failures as potential opportunities for their leadership development.

The third purpose of the study was to share advice from experienced entrepreneurs with prospective entrepreneurs. For those interested in entering the field, this study may spark ideas and encouragement. When starting a new business, failures, in most case, are inevitable. Consequently, the insights on failures and practical recommendations are valuable in terms of preparing and educating the newcomers for handling failures that might occur in their future ventures.

Research Questions

According to Creswell (2013), the research questions in qualitative research are "open-ended, evolving, and non-directional. They restate the purpose of the study in more specific terms and typically start with a word such as what or how, rather than why in order to explore a central phenomenon" (p. 138). Carefully designed research questions can serve as boundaries and support the choice of qualitative research (Zhang, 2013).

This qualitative research study included interviews with selected entrepreneurs in the United States to discover insights about their failure experiences in their business ventures. The intent of this research was to gain an in-depth understanding about how failure experiences have influenced entrepreneurs on enhancing and improving their leadership capabilities. The three research questions for this study were as follows:

Research Question 1: What are the impacts of failures, if any, on entrepreneurs?

Research Question 2: What lessons, if any, have entrepreneurs learned from failures, as leaders of their companies?

Research Question 3: How have entrepreneurs applied the lessons, if any, into their practice?

The research questions set up a foundation for the development and design of the interview questions for this study. They also helped maintain the focus of the research throughout the overall process of sample selection, data collection, data analysis, and interpretation. The purpose of Research Question 1 was to get participants talking by encouraging them to brainstorm and recall any failure experiences they have had. From the leadership aspect, Research Question 2 guided participants to elaborate on what they had learned from failures. Research Question 3 asked participants to share about the actions they had taken to apply the learning and knowledge into their business practice.

Significance of the Study

The significance of this study is examined from three perspectives: entrepreneurial practice, entrepreneurial leadership, and entrepreneurial education. From the entrepreneurial practice perspective, this study can serve as a reference to inspire new business practitioners with advice and solutions from seasoned entrepreneurs. The findings from this study might assist those who are eager to establish their own business with a proper attitude and preparation for managing potential frustration and challenges. The findings might encourage the newcomers to strive and thrive in their business journey in spite of the obstacles they face.

Through an exploration of what participants have learned from their failure experiences, this study contributes to the field of entrepreneurial leadership. The findings include stories about how the participants coped with each failure and how they have grown to be a better leader as a result. The knowledge gained in this study might encourage entrepreneurs to lead themselves as well as their organizations more effectively, especially in trying times and during business failures.

Furthermore, understanding failures and how they can influence on entrepreneur's leadership progress can provide valuable insights for entrepreneurial education. New venture starters and current entrepreneurs could benefit from this study, as they might learn from others' practical experiences to gain knowhow, avoid mistakes, and achieve success. Additionally, they might be able to apply the wisdom learned to refashion failures into priceless business practices.

Key Definitions

Entrepreneur. A business owner who starts and is involved in establishing a business (Byrd, 2012).

Entrepreneurial leadership. A type of leadership that "entails influencing and directing the performance of group members toward the achievement of organizational goals that involve recognizing and exploiting entrepreneurial opportunities" (Renko, El Tarabishy, Carsrud, & Brannback, 2015, p. 55). Entrepreneurial leadership is mostly required in "highly turbulent, challenging and competitive environments" (Bagheri & Pihie, 2011, p. 449). Entrepreneurial leadership can be learned and enhanced through entrepreneurs' business experiences (Kempster & Cope, 2010).

Entrepreneurial learning. A set of learning behaviors for acquiring and implementing knowledge from failures in an entrepreneurial context (Duffy, 2007; He, 2006).

Failure. This phenomenological study defined failure within the entrepreneurial context. From the literature discussed in Chapter 2, this study adopted a spectrum of definitions of failure. On one side of the spectrum, the narrowest definition of failure is bankruptcy or insolvency (Cotterill, 2012; Simmons, 2007; Zacharakis, Meyer, & DeCastro, 1999). On the other side of the spectrum, the broadest definition of failure views failure as a deviation from entrepreneurs' desired expectations (Cannon & Edmondson, 2001; Mckenzie & Sud, 2008). Within the two extremes of the spectrum lie three different views of failure: failure is "involuntary change in both the ownership and management of the business owing to poor performance" (Shepherd, 2003, p. 319), failure is business closure or change in ownership to lessen financial loss (Simmons, 2007), and failure is failing to properly solve conflicts among business partners or entrepreneurs' personal limitations that lead to business discontinuance (Singh, Corner, & Pavlovich, 2007). In doing so, the researcher gathered information-rich, descriptive data to explore entrepreneurs' failure experiences and unveil the lessons they learned from their failures.

Leadership. According to Burns (1978), leadership is "the reciprocal process of mobilizing by persons with certain motives and values, various economic, political and other resources in a context of competition and conflict, in order to realize goals independently or mutually held by both leaders and followers" (p. 425).

Phenomenology. One of the qualitative research approaches that focuses on studying the life experiences of several individuals regarding a phenomenon they all experienced. In phenomenology, researchers' main goal is to search and reveal the meanings attached to individuals' life experiences (Creswell, 2013; Kumar, 2011).

Qualitative research. An approach "based upon the philosophy of empiricism" (Kumar, 2011, p. 394) and different from the quantitative approach that emphasizes a large sample size to generalize findings to a large population. Qualitative research tends to be more unstructured, flexible, and descriptive to explore in-depth perceptions and feelings rather than rigid facts.

Small business. The Small Business Administration defines a small business based on the number of employees or its average annual revenue (Darling, 2012; De Sousa-Brown, 2008). A typical small business has less than 500 employees or an average annual revenue of less than $17 million (Darling, 2012; De Sousa-Brown, 2008).

Key Assumptions

- Failures serve as opportunities from which entrepreneurs could reflect and learn.
- Failure is a common phenomenon experienced by entrepreneurs across backgrounds and industries.
- The selected entrepreneurs would be able to recall and share their failure experiences during the interviews.
- Entrepreneurs would have some insights and learning gained from past failures.
- The selected entrepreneurs would be able to share about what they have learned from past failures during the interviews.
- An entrepreneur is not only the owner but also the leader of his or her company. To manage a company and direct it successfully throughout the business life cycle, entrepreneurs must know how to lead themselves as well as how to lead their employees.
- Any lessons learned from failure contribute to entrepreneurs' leadership development.
- The study would include interviews as the primary method of collecting data and the participants would answer the interview questions honestly.

Limitations and Delimitations of the Study

The study had two limitations. The first limitation was the possible biases during the data collection process. The method chosen to collect data was interviews. During the interviews, human errors from the researcher could have occurred, such as taking inaccurate notes and misunderstanding the interviewees. To minimize the biases, the researcher used a digital recorder to record all interviews. The researcher made transcripts from each recording and e-mailed each transcript to the respective interviewee for verification.

Another limitation was the relatively small sample size of this study. Due to the qualitative nature of this study, the researcher purposefully selected only 10 entrepreneurs to participate in the research. The criterion sampling method ensured all participants had experienced the phenomenon. The participants were selected from the researcher's personal and professional networks. It would be possible that more lessons from entrepreneurial failures could be explored and revealed if a larger population could be introduced.

Summary

The goal of this qualitative research was to provide a different outlook on failure and leadership in an entrepreneurial context. The failure stories in this study helped to establish a platform for the researcher to find clues about what made those entrepreneurs stand out in challenging situations. Addressing untold sides of failure experiences is both a practical and an academic need. Successful experiences cannot always convey the whole picture of entrepreneurial experiences, yet entrepreneurs' failure stories from which they learned may provide insights and applications to current entrepreneurs and to newcomers. These experiences have naturally become part of the entrepreneurial process and are essential to entrepreneurs' leadership development. The aim of the study was to provide a new perspective and attitude toward failure by viewing it as learning opportunity for entrepreneurs to become better leaders. The study contributes to the field of entrepreneurial education.

Next chapter includes a detailed discussion of the current scholarly literature on entrepreneurship and on leadership as the theoretical foundation. Based on this foundation, an investigation of contemporary academic research with a specific focus on failure, entrepreneurial leadership, and entrepreneurial learning will follow to build the overall theoretical framework for the study.

Chapter 2: Literature Review

Introduction

The purpose of this literature review is to examine, synthesize, and evaluate the relevant literature on the research topic and create a theoretical framework to guide the research. Specifically, the review explores areas in entrepreneurship, leadership, entrepreneurial leadership, entrepreneurial learning, and failure. The Entrepreneurship section provides the definition, history, and process of entrepreneurship. The theories evolved from a pure economic approach in the 17th century to become a behavioral and multidisciplinary approach in the 21th century. Scholars have approached entrepreneurship from the perspectives of psychology, sociology, and organizational behaviors.

The Leadership section includes a definition of leadership as a process rather than as a single action to influence others. In addition, researchers have separated leadership from management and related it more to applying changes in organizations. The literature on leadership is abundant, and this section includes discussions on the traits approach, style approach, skill approach, situational leadership, and contingency theory.

The study of entrepreneurial leadership is at the developing stage, where entrepreneurial leadership reflects entrepreneurs' ability to achieve business success and become better leaders in organizations. Similarly, entrepreneurial learning is an emerging area for both the entrepreneurship field and the organizational learning field. It focuses on particular learning competencies. The Entrepreneurial Learning section includes two major approaches: the behavioral approach and the cognitive approach.

The Failure section explores the impacts and causes of failure and defines failure in the entrepreneurial context, where it is a common phenomenon experienced by entrepreneurs.

Scholars have identified the relationship between failure and entrepreneurial learning as failure being the driving force of entrepreneurs' learning and growth, at both an individual level and an organizational level. This section also includes different learning outcomes of the entrepreneurial learning process.

Entrepreneurship

A historical perspective of the entrepreneurship theory. The meaning of entrepreneur has changed throughout history. It is widely accepted that the term entrepreneur originated from French and literally means to take between or the person who goes between (Bird & West, 1997; Hisrich & Peters, 2002). Until the Middle Ages, entrepreneur widely referred to the person who took charge on a large-scale production project such as the production of clothes, ships, and medicines (Hisrich & Peters, 2002).

In the 17th century, notable French scholar Richard Cantillon first introduced the risk-taking concept into entrepreneurship theory (Hisrich & Peters, 2002; Zimmerman, 2008). As one of the notable scholars in this period, Cantillon developed the "initial commercial theory of entrepreneurship" (Zimmerman, 2008, p. 19). This theory is regarded as one of the early theories of entrepreneurship, which first acknowledged entrepreneurs as key players in the economy (Hisrich & Peters, 2002; Van Praag, 1999). During this period, an entrepreneur was viewed as a risk taker because there is no guarantee that entrepreneurs could maximize the profit margin every time by selling commodities in commercial activities (Hisrich & Peters, 2002). In other words, there is a risk when selling with a small profit or even at a loss due to the uncertainty of every transaction.

The rise of the Industrial Revolution in the 18th century led to a new concept in the development of entrepreneurship theory. Scholars in this period attempted to redefine entrepreneurs by separating them from capital providers (Hisrich & Peters, 2002; Zimmerman, 2008). It was the first time that scholars realized that people who make investments in starting a business are not necessarily entrepreneurs. The investors can be venture capitalists, who are normally cash-strong individuals or banks that lend money to entrepreneurs and receive interest or stock shares in return. However, they are not entrepreneurs who actually run and manage a company. Therefore, scholars widely agreed that venture capitalists should be carefully excluded from the definition of entrepreneur (Hisrich & Peters, 2002).

In addition, the modern sense of an entrepreneur began to emerge (Kuriloff & Schollhammer, 1979). As Kuriloff and Schollhammer (1979) indicated, entrepreneurs in this era were most known for their passion for building their own business empires. Most of them came from the middle class and had limited resources to start their own business. They were strongly motivated by turning innovative ideas into reality to make a fortune and expand the scale of their business to the next level.

Through the late 19th century to the mid-20th century, entrepreneurship was primarily defined from an economic perspective. During this time, Joseph Schumpeter, a prominent economist, received credit as the most influential scholar to contribute to entrepreneurship theory (Heilbroner, 1999; Livesay, 1982; Minniti & Levesque, 2008; Van Praag, 1999). Unlike Cantillon's viewpoint that entrepreneurs are risk takers, Schumpeter viewed entrepreneurs as innovators and leaders (Hisrich & Peters, 2002; Minniti & Levesque, 2008).

Through Schumpeter's work, the concept of innovation was integrated into the framework of entrepreneurship theory, which affected ideas about the function of entrepreneurs. According to Crute (2010), Schumpeter viewed entrepreneurs as innovators who had five primary functions in the economy: to create new goods and new commodities, to create new methods of production, to develop a new market, to obtain a new source of supplies, and to create a new organization or industry. Schumpeter constructed a theory where he saw entrepreneurs as forces of "creative destruction" (Crute, 2010, p. 25). The destruction begins to form when independent entrepreneurs frequently challenge the market share of the large firms that dominate the existing market by introducing eye-grabbing innovations to the customers. Eventually large firms' market share will decline and earnings will fall, whereas new entrepreneurial firms will rise and gradually become new dominant forces in the market. At this point, the old films are completely replaced by the new and better ones. Along with the emergence of the new dominant firms in the market, a redistribution of the wealth occurs by the so-called creative destruction. Meanwhile, new supply and demand relationships are formed and new jobs are created (Spencer, Kirchoff, & White, 2008).

Based on the theoretical concept generated by Schumpeter, other scholars continued to define the role of entrepreneurs. Van Praag (1999) noted that entrepreneurs are a group of people who can bring permanent changes to the market as well as to society. Van Praag maintained the notion that innovation is where entrepreneurs can turn abstract ideas into practices that would bring ongoing changes and impacts. Martin (1982) contended that entrepreneurs are defined not by their titles or formal ranks in their company but by what they have done, which is consistently practice in innovation and achieve success.

In the late 20th century, scholar Isreal M. Kirzner reconsidered Schumpeter's theory of entrepreneurship and contributed new thoughts to the entrepreneurship theory (Spencer et al., 2008; Van Praag, 1999). Kirzner (1997) extended the foundation of Schumpeter's notion of the innovative character of entrepreneurs, insisting that entrepreneurs must be alert and be able to identify any existing opportunities in an imperfect economic system. For example, the capitalist economy can never truly reach equilibrium but is always near equilibrium, which is constantly fashioned and changed by the market (Kirzner, 1999). Entrepreneurs can identify opportunities from such disequilibrium in the market. This is the key to understanding the function of entrepreneurs in Kirzner's theory, where entrepreneurs are individuals who analyze information to identify the urgent needs in the market before they come up with any innovative ideas or products (Spencer et al., 2008). Entrepreneurs who sense market disequilibrium can fulfill consumer needs through a creative product or service.

In the 21th century, the study of entrepreneurship has gradually shifted from an economic approach to a behavioral science approach. As a result, the recent approach in the field has become more multidisciplinary. According to Murphy, Liao, and Welsch (2005), the new explorations in the field of entrepreneurship should not merely rely on economic factors to explain all entrepreneurs' behaviors in the market. Murphy et al. suggested that human factors and environmental factors are equally essential to help researchers understand entrepreneurs' behaviors.

Similarly, Metcalfe (2004) expressed that entrepreneurship cannot be examined only from an economic approach. Instead, because there are many kinds of entrepreneurs, a "unifying approach" (p. 157) should be applied to the field. Entrepreneurship research has expanded to different disciplines, including the psychology of entrepreneurship (Koellinger, Minniti, & Schade, 2007), the sociology of entrepreneurship (Bruton, Ahlstrom, & Li, 2010; Canizares & Garcia, 2010; Fuentes, Arroyo, Bojica, & Perez, 2010), and organizational study with a focus on entrepreneurship (Bruton et al., 2010).

Characteristics of entrepreneurs. The literature in the field of entrepreneurship shows that throughout history, entrepreneurs have shared some common characteristics (Kuriloff &

Schollhammer, 1979). Although it is a challenging task to define entrepreneur precisely, the characteristics show a consistency in nature that can be easily identified (Brockhaus, 1982; Hornaday, 1982; Kuriloff & Schollhammer, 1979; Stevenson, Roberts, & Grousbeck, 1985). For instance, Hornaday (1982) listed 42 characteristics of entrepreneurs, including 19 most frequently identified characteristics.

Other researchers have studied the characteristics of entrepreneurs' personalities and found that some people naturally fit into entrepreneurial careers better than other people (Fisher & Koch, 2008). As Fisher and Koch (2008) concluded from a study of 234 CEOs, "entrepreneurial behavior is genetically determined" or "inherited" (p. 2). Fisher and Koch noted that entrepreneurs are wired genetically to respond differently than others to the external stimuli, especially those of risk, danger, excitement, and change. Their study shed light from a biological perspective. Among most empirical scholarly literature on the characteristics of entrepreneurs, four main personality characteristics have been frequently discussed: need for achievement, risk taking, personal values (Cunningham & Lischeron, 1991), and locus of control (Brockhaus, 1982).

Need for achievement. According to Hisrich and Peters (2002), the need for achievement refers to a person's desire and longing to receive recognition from others. The three major attributes of the need for achievement are a strong willingness to take individual responsibility for problem solving with great effort and determination to achieve goals, a careful evaluation of what risks they want to bear and view it as a skill, and full knowledge about the consequences or the results of their decisions. Entrepreneurs, as a group, have a stronger need for achievement than nonentrepreneurs do (McClelland, 1961, 1965). This strong need for achievement tends to generate strong self-confidence. Another tendency for entrepreneurs is to calculate potential risks and study the environment around them carefully. They are also interested in using concrete methods to measure their own performance (Cromie, 2010).

Risk taking. Risk taking is a frequently mentioned component in the entrepreneurial process. Such risk can be financial, social, or even psychological (Hisrich & Peters, 2002). Entrepreneurs not only bear risks but also create risks, which distinguishes them from managers in a business sense (Gasse, 1982; Palmer, 1971). Liles (1974) perceived that entrepreneurs take not only financial risks, such as from launching a new business, but also personal and social risks, including career consideration, family relations, and physical wellness. Other researchers have noted that entrepreneurs' willingness to take risks is different from gambling. Entrepreneurs will avoid risks they cannot analyze well and over which they have only a moderate control (Brockhaus, 1982; Liles, 1974).

Personal values. Entrepreneurs' personal values play a significant role in their business building (Hisrich & Peters, 2002; Kimbro, 1996). Hornaday and Aboud (1971) found that successful entrepreneurs scored significantly higher on certain personal values, such as leadership, achievement, and independence, than the general population did. Other research results also supported Hornaday and Aboud's findings (DeCarlo & Lyons, 1979). For example, Cunningham and Lischeron (1991) noted the core personal values are ethics, leadership, duty, and responsibility.

Locus of control. According to Hisrich and Peters (2002), the locus of control is an attribute expressing an individual's sense of control over life. Two categories of locus of control depend on people's own interpretation. One category is external control (Brockhaus, 1982). Under external control, an event is interpreted by factors beyond an individual's control, such as fate or luck, or under the control of other individuals. These forces are usually unpredictable and complex. The other category, internal control, is interpreted when an individual's own behavior or characteristics can influence the event. Although research has shown there are no significant differences in locus of control beliefs among entrepreneurs and managers, entrepreneurs exhibit more tendencies toward internal control than the general public (Brockhaus & Nord, 1979; Rotter, 1990).

Entrepreneurial process. The entrepreneurial process is a series of entrepreneurial activities including personal, social, environmental, innovation, autonomy, implementation, learning, and growth (Bygrave & Hofer, 1991; Lumpkin & Dess, 1996; Salvato, Lassini, & Wiklund, 2007). Bygrave and Hofer (1991) viewed the entrepreneurial process as the personal pursuit of an opportunity in the form of creating a new organization and listed the nine critical characteristics of the entrepreneurial process as follows: (a) it is started by human self-determination or free will; (b) it occurs in an entrepreneur's firm; (c) it contains a change of state; (d) it contains a discontinuity; (e) it is holistic; (f) it is dynamic; (g) it is unique for each entrepreneur; (h) there is a possibility of involving numerous precedent variables, such as venture strategy, competitor positioning and customer needs; and (i) the outcomes of the process are highly sensitive to the beginning conditions of those precedent variables.

The first step in the entrepreneurial process is opportunity recognition. By identifying hidden opportunities in the market, entrepreneurs can determine the best timing to launch new ventures (Salvato et al., 2007; Zimmerman, 2008). The emergence of any opportunity involves a complex mix of changing conditions, including fiscal conditions, social conditions, political conditions, and technical conditions (Baron, 2006). Entrepreneurs are sensitive to the changes in those conditions and from which they are able to identify potential opportunities. Baron (2006) noted that previous entrepreneurial experience can help entrepreneurs to be more effective in identifying new opportunities that others could easily overlook because through the experiences, the human brain can function more thoroughly to perceive logical connections between those seemingly unrelated events.

After the opportunity has been identified and recognized, the next step of the entrepreneurial process is the decision to be entrepreneurs (Ronen, 1983). The two major motivations for potential entrepreneurs to choose an entrepreneurial career are (a) the interest or desire to start a business and (b) the foreseeable potential fortune brought by the identified opportunity. The foreseeable potential, as Ronen (1983) contended, plays a more vital and even decisive role in influencing the entrepreneurs' decisions than does the simple desire to start a business. The possible benefits also include financial freedom, peer recognition, and prestigious social status.

The last step of the process for entrepreneurs is taking action and turning their vision of a perceived opportunity into reality (Reynolds & Miller, 1992; Vesper, 1990). According to Zimmerman (2008), these actions can take place in a sequential order, beginning with the decision to start a new business. Then other actions will follow: quitting a job, submitting legal documents to form a legal entity, setting up a business bank account, purchasing equipment, booking the first order, and hiring new employees. However, other researchers noted that the start-up activities do not necessarily occur in the same order every time in the entrepreneurial process. In fact, they may follow a chaotic pattern in which certain actions may dominate for a period of the process while other actions occur less frequently (Cheng & Van de Ven, 1996; Gatewood, Shaver, & Gartner, 1995).

Leadership

Both entrepreneurship and leadership served as the bases of this study's theoretical foundation. This section includes key theories in the field of leadership. These theories might provide guidance in the discussions and findings of the leadership lessons.

There are various ways to define leadership. Northouse (2010) defined leadership as a process rather than a single action where leaders influence their followers to achieve a common goal. Williams (2005) indicated that leadership is more about doing the right thing in the right situation. Williams further contended that in leadership, leaders not only set up examples and expectations, but also make progress and momentum through their determination to achieve.

Other researchers have attempted to define leadership by separating the concept of leadership from management. Kotter (1990), a well-known organizational behavior researcher and professor at Harvard Business School, argued that management and leadership function differently, where management involves "coping with complexity" (p. 104) and leadership involves "coping with change" (p. 104). Leadership is necessary when implementing changes in an organization. Based on this idea of leadership, Judge and Robbins (2011) defined leadership within the framework of organizational theories. Leadership is the ability to influence a group to achieve certain visions, goals, or changes. Judge and Robbins asserted that leader is not a formal corporate title in an organization. In fact, when changes are necessary, a leader can emerge from a manager position or any other position.

Different from using an organizational framework, Cashman (2008) considered leadership from a human consciousness perspective. He stressed that the definition of leadership should come from external conditions and from leaders' inside world where true leaders know how to master their core talents, values, and beliefs.

Traits approach. The traits approach is one of the earliest fundamental research approaches in the study of leadership. According to Judge and Robbins (2011), the traits approach of leadership focused on leaders' personalities and characteristics. From the late 1960s to the 1990s, scholars strived to determine the common characteristics and personal qualities of those who had been widely recognized as great leaders in the United States. In the early 20th century, scholars generally accepted the concept that great leaders were naturally born and not made. In other words, early researchers believed that leaders' innate traits could be used to distinguish leaders from nonleaders. Therefore, researchers in this period were more focused on examining the specific traits that distinguish leaders from nonleaders (Bass, 1990; Kirkpatrick & Locke, 1991; Stogdill, 1950).

In the mid-20th century, scholar Ralph M. Stogdill questioned the validity of the concept that only traits set leaders apart from others. Stogdill conducted two major surveys in 1948 and 1974. These two surveys are regarded as capstones in traits approach research (Joko, 2009; Northouse, 2010). For his first survey, Stogdill (1948) analyzed more than 124 trait studies performed between 1904 and 1947. He indicated eight particular traits that individuals in leadership roles exhibit differently from average group members. Nevertheless, Stogdill advocated that individuals do not become leaders solely because they possess particular traits. Instead, he noted there is a working relationship and dynamics between the leader and other group members. And a leader's traits have to be relevant to his or her unique situations. Hence, the first survey concluded that leadership is determined not by personality or trait factors, but mainly by situational factors.

In his second survey, Stogdill (1974) evaluated another 163 leadership traits studies. The second survey revealed that leadership is determined by both personality and situational factors.

The survey eventually validated the original trait approach where leaders' characteristics should be taken into consideration. The 10 characteristics that Stogdill identified as positively related to leadership are as follows: (a) drive for responsibility and tasks, (b) persistence in pursuing goals, (c) problem solving through risk taking and creativity, (d) initiatives in social situations, (e) self-confidence and personal identity, (f) accountable for the consequences of decisions or actions, (g) readiness to deal with interpersonal stress, (h) willingness to bear frustration, (i) ability to influence others' behaviors, and (j) able to build social interaction for the current purpose (Northouse, 2010).

Another breakthrough in trait approach research was the identification of the relationship between the Big Five personality factors and leadership (Northouse, 2010, p. 22), which validated previous researchers' idea that traits can be used to predict leadership. The Big Five personality factors were "neuroticism, extraversion, openness, agreeableness, and conscientiousness" (Northouse, 2010, p. 22). Among these five factors, extraversion and conscientiousness were most closely related to effective leadership. Effective leaders like to be around people, and they know how to manage, maintain, and influence their communication with others (Judge, Bono, Ilies, & Gerhardt, 2002). Thus, leaders who possess a high level of extraversion and conscientiousness are often perceived by their followers as individuals who have enough confidence to lead (Judge & Robbins, 2011). It created a sense of trust among followers to believe that their leader knows where to go and that the organization is going in the right direction.

Scholars have a variety of views on the application of the trait approach. From the perspective of organizations, the trait approach helps recognize the right person for the organization, which in turn can increase organizational and operational efficiency. Therefore, the trait approach benefits both organizations and individuals (Northouse, 2010). From a personal perspective, the trait approach can be used for promoting self-awareness and personality development (Jung & Sosik, 2006; Zaccaro, 2007). Other scholars pointed out that the trait approach is a powerful way to predict leadership, but it cannot be used to determine whether people with certain traits will become successful leaders (Judge & Robbins, 2011).

Style approach. Different from the traits approach that focuses on leaders' characteristics and personalities, the style approach emphasizes leaders' actions (Evans, 2009). The approach involves an attempt to categorize leaders' behaviors and to understand how these behaviors influence followers to reach a goal (Furlong, 2011).

Early studies of leaders' behaviors took place at the Ohio State University. The goal was to provide the most comprehensive leadership behavior theory (Judge & Robbins, 2011). The researchers of the Ohio State studies began with more than 1,000 different aspects of leaders' behaviors and then narrowed down to two major types described by employees: initiating structure and consideration (Northouse, 2010). Initiating structure takes place when a leader tends to define and structure his or her role and the roles of employees to accomplish goals. The behaviors usually involve assigning individual or grouping particular tasks and expecting to meet deadlines with specific standards. Consideration is more about mutual trust and respect between leaders and employees. Leaders with great consideration tend to be approachable and express appreciation to employees (Furlong, 2011).

Another major leadership behavior study was conducted at the University of Michigan. The studies generated two kinds of leadership behavior, employee-oriented behaviors and production-oriented behaviors, similar to initialing structure and consideration, respectively (Evans, 2009). Employee-oriented leaders tend to lead their subordinates by valuing employees' needs and accepting each individual's difference. These leaders tend to emphasize interpersonal relationships with subordinates. In contrast, the production-oriented leaders focus on task completion and organization productivity.

One milestone in the style approach research was the Blake and Mouton's (1982) leadership grid. The leadership grid is a 9 × 9 matrix with an *X* axis scaled from 1 to 9, with 1 being the lowest score and 9 being the highest score. Likewise, the *Y* axis is numbered from 1 to 9, where 1 is the lowest and 9 is the highest. The *X* axis represents the concern for results, and the *Y* axis represents the concern for people. From the grid, five major leadership styles can be identified: "authority-compliance (9,1), country-club management (1,9), impoverished management (1,1), middle-of-the-road management (5,5), and team management (9,9)" (Northouse, 2010, p. 73). Blake and Mouton further affirmed that leaders usually have two leadership styles in the grid. One style is the dominant style and the other is the backup style. Leaders' daily behavior will be more under the control of their dominant style. However, when leaders face high pressure, their backup style will come to the surface (Evans, 2009).

Skills approach. The skills approach of the leadership research focuses on leaders' skills and abilities, rather than leaders' innate characteristics. The advocates of this approach widely believe that leadership skills and knowledge can be trained, learned, and developed throughout a leader's life. This view significantly is significantly different from the skills approach to the trait approach. Moreover, the skills approach indicated that to obtain effective leadership, leaders must learn and acquire certain skills and abilities (Joko, 2009).

Those skills specifically referred to "an ability which can be developed, not necessarily inborn, and which is manifested in performance, not merely in potential" (Katz, 1974, p. 34). Furthermore, Katz (1974) proposed three fundamental skills that will affect the effectiveness of leadership: technical skill, human skill, and conceptual skill. Technical skill refers to “an understanding of, and proficiency in, a specific kind of activity, particularly one involving methods, process, procedures, or techniques” (Katz, 1974, p. 91). Human skill refers to leaders’ ability to establish effective communication channels and relationships with the people who they lead to enhance the efficiency of teamwork. Lastly, conceptual skill refers to the ability to see the big picture of an enterprise that enables leaders to recognize the functions and relations among different departments within an organization. It also benefits leaders to make strategic decisions in leading changes that have an impact on the entire organization.

These three skills serve as a theoretical foundation for the skills approach. To make the approach more comprehensive, Mumford, Zaccaro, Harding, Jacobs, and Fleishman (2000) integrated the individual attributes, such as cognitive ability and self-motivation, and leaders’ competences, such as problem solving and skills of judgment, into the their skill-based model. Leaders can acquire skills to lead organizations through learning from their experiences, and this learning process serves as the basis for leadership development.

Situational leadership. Situational leadership is one of the most widely used leadership theories in the practice of leadership development. Different from other leadership theories, situational leadership requires leaders to adapt their leadership styles to the changes as a way of enhancing leadership effectiveness. Furthermore, effective leadership is situational. Leaders should adjust their leadership styles based on different situations they encounter. Specifically, situational leadership requires leaders to recognize their subordinates’ needs as well as match their style according to the needs (Hersey & Blanchard, 1993).

The situational leadership II model, developed by Blanchard, Zigarmi, and Nelson (1993), has been regarded as the representative model in situational leadership studies. The situational leadership II model has two major components: leadership styles and the development level of subordinates. Four leadership styles are illustrated: directing style, coaching style, supporting style, and delegating style. Leaders who belong to the directing style focus more on achieving the goal and rarely have supportive behaviors. Leaders who have the coaching style tend to balance the needs of subordinates to accomplish the goals. Supporting style leaders give their subordinates more freedom to make their own choice. Leaders with this style tend to get support easier from their followers. Lastly, the delegating style refers to leaders who leave all the decisions to their followers to decide how to get a job done (Blanchard et al., 1993; Northouse, 2010).

The other component of this model is the development levels of subordinates. The development levels manifest the extent of the confidence and the skills of the subordinates toward accomplishing their goals (Blanchard et al., 1993). The four developmental levels range from D1 to D4. The D1 level indicates the subordinates have the lowest level of confidence and skills to accomplish their task, while the D4 level indicates the subordinates have full confidence and skills to get their job done.

The situational leadership approach demonstrates the dynamics of leadership. To achieve leadership effectiveness, leaders have to adjust and adopt different leadership styles suitable for various situations.

Path-goal theory. Path-goal theory explores the relationship between leadership and subordinates' motivation (House, 1996). One assumption is that subordinates' performance and working efficiency can be largely affected by whether leaders motivate their subordinates to believe they can achieve the goal. Furthermore, effective leaders can provide the necessary guidance so their subordinates can expect to accomplish goals and receive rewards accordingly.

The path-goal theory contains four major leadership behaviors: directive behavior, supportive behavior, participative behavior, and achievement-oriented behavior (House, 1996; Jermier, 1996). Directive behavior involves leaders providing psychological direction to subordinates. Such behavior will allow subordinates to know what expectations the leaders have set for them (House, 1996). The focus of supportive behavior is satisfying the needs of subordinates. Leaders with this behavior will use all means necessary to make work enjoyable for subordinates (Jermier, 1996). Participative behavior takes place when leaders encourage subordinates to participate in decision making. It can increase subordinates' sense of autonomy to seek better performance in their work (House, 1996). It also increases the sense of pressure for better performance. Achievement-oriented behavior is behavior "directed toward encouraging performance excellence: setting challenging goals, seeking improvement, emphasizing excellence in performance, and showing confidence that subordinates will attain high standards of performance" (House, 1996, p. 327).

The path-goal theory offers insights on leaders' behaviors and subordinates' motivation. By implementing certain leadership behaviors, leaders can enhance subordinates' involvement in their work and increase their working satisfaction and expectations for success (Northouse, 2010).

Leader-member exchange theory. According to Graen and Uhl-Bien (1995), the leader-member exchange (LMX) theory views leadership as "a multi-faceted construct involving aspects of the leader, the follower, and the dynamic relationship between the two" (p. 225). Thus, the interaction between the leaders and the followers is the focus of this theory. Effective leadership takes place when leaders and followers are able to develop mature partnerships and to gain benefits from these relationships (Graen & Uhl-Bien, 1995).

In the early stage of the LMX theory, researchers found two types of relationships between leaders and followers: in-group relationships and out-group relationships (Graen & Uhl-Bien, 1995; Northouse, 2010). According to Northouse (2010), the basis of the in-group relationship is “expanded and negotiated role responsibilities” (p. 149), whereas the basis of the out-group relationship is “the formal employment contract” (p. 149). In-group subordinates are willing to go the extra mile for their leaders, and in return, they usually get more support from their leaders than out-group subordinates do. Out-group subordinates do not want to take more responsibilities; therefore, they receive less attention and care from their leaders (Graen & Uhl-Bien, 1995; Judge & Robbins, 2011; Northouse, 2010). Consequently, compared with out-group subordinates, the in-group subordinates usually have “higher performance ratings, less turnover, and greater job satisfaction” (Judge & Robbins, 2011, p. 387).

Similar to the path-goal theory, later studies of the LMX theory began to shift focus toward how to increase leadership effectiveness through establishing effective relationships between leaders and subordinates (Graen & Uhl-Bien, 1995). A leadership-making approach was introduced to the LMX theory. Instead of judging subordinates by categorizing who are in-group and who are out-group, leaders should develop partnerships with all their subordinates to achieve leadership effectiveness instead of only paying attention to the in-group subordinates (Graen & Uhl-Bien, 1995). Creating partnerships within the organization will help leaders to lead effectively and help the organization to achieve its goals.

Contingency theory. The contingency theory explains that effective leadership is contingent on matching a leader’s style to the right situation. The proper match between the leader’s style and the level of control that the situation gives the leader will determine leadership effectiveness (Fiedler, 1964).

Fiedler's contingency theory is the most widely acknowledged among several approaches in the field (Evans, 2009; Furlong, 2011; Joko, 2009). His famous contingency model portrays the relationship between leadership styles and situational variables. The leadership styles are described as the task-motivated style and the relationship-motivated style (Ayman, Chemers, & Fiedler, 1995). The task-motivated-style leaders make goal achieving a priority in their leadership, whereas the relationship-motivated-style leaders regard building interpersonal relationship with their subordinates as their priority (Fiedler, 1964; Fiedler & Chemers, 1974). Ayman et al. (1995) noted that a leader whose leadership style is task motivated can lead more effectively in a low- or high-control situation. By contrast, a relationship-motivated leader performs better in a moderate-control situation.

The other aspect of the theory is regarding situational variables. These variables are characterized through three factors: leader–member relations, task structure, and position power (Ayman et al., 1995; Fiedler & Chemers, 1974). The first factor, leader–member relations, can be defined as the good relations or the poor relations. The good leader–member relations refer to a group atmosphere that is positive, and followers have loyalty and trust for their leader. In poor leader–member relations, the group atmosphere is unfriendly and the leader is not trusted or does not get along well with subordinates (Fiedler, 1964).

The second factor of situational variables is task structure, which refers to how well the tasks are spelled out for subordinates. Leaders have more control when tasks are clearly stated to and understood by the subordinates (Fiedler, 1964). The third factor of situational variables, position power, is "the degree of influence a leader has over power variables such as hiring, firing, discipline, promotions, and salary increase" (Judge & Robbins, 2011, p. 382). Position power is strong when leaders have the authority to reward or to punish subordinates (Northouse, 2010). All these three factors work together to determine the degree of favorableness of a situation within an organization that leaders have to face (Ayman et al., 1995).

Transformational leadership. Transformational leadership is a relatively new approach in leadership study in which the processes that transform people are its primary focus. In essence, transformational leaders possess the power to have a profound influence on followers and inspire followers to transcend their own self-interests (Judge & Robbins, 2011).

The four factors of transformational leadership are idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass, Avolio, Jung, & Berson, 2003; Bennis & Nanus, 1997). Idealized influence refers to leaders who are charismatic, deeply respected, and trusted by their followers (Bass et al., 2003). Leaders with idealized influence have the ability to create a sense of vision and mission to followers (Bennis & Nanus, 1997). Inspirational motivation describes leaders who communicate high expectations, challenge their followers, and motivate them to be more committed to the vision of the organization. Inspirational motivation is often used through emotional appeals to enhance team spirit (Bass et al., 2003).

Intellectual stimulation takes place when “leaders stimulate their followers’ effort to be innovative and creative by questioning assumptions, reframing problems, and approaching old situation in new ways” (Bass et al., 2003, p. 208). The last factor, individualized consideration, represents that leaders support and guides followers in a unique, personalized way (Northouse, 2010). Within organizations, leaders act as coaches and mentors to their followers by carefully listening to their needs. Leaders approach each individual differently based on his or her different interests and needs. By doing so, subordinates can maximize their potential and bring high performance to their work (Bass et al., 2003).

Entrepreneurial Leadership

Entrepreneurial leadership is a relatively new paradigm within the disciplines of both leadership and entrepreneurship. Its theoretical framework is still in the developing stage (Bagheri & Pihie, 2011). Early explorers in the field such as Cunningham and Lischeron (1991) viewed entrepreneurs as leaders who must rely on people to accomplish their visions. By mastering the skills of attracting and motivating people to join and work for them, entrepreneurs eventually form and lead a team dedicated to realizing their vision Therefore, it is argued that entrepreneurial leadership involves leadership activities such as setting up clear visions and goals, fostering opportunities, and managing and empowering people (Cunningham & Lischeron, 1991).

Based on Cunningham and Lischeron's (1991) notion of entrepreneurial leadership, Covin and Slevin (2002) argued that entrepreneurial leadership has six distinguished characteristics. The six characteristics are (a) consistently putting effort toward enhancing entrepreneurial capabilities such as sense of creativity and strategies for resource management, (b) stimulating innovations through openly communicating the benefits of innovations within the organization, (c) identifying entrepreneurial opportunities to the organization and being able to communicate and make sense of the opportunities, and (d) evaluating assumptions about various market factors that can affect the opportunities of the company. By evaluating their assumptions about the market, entrepreneurial leaders can find the best position for the company to seize the identified opportunities by (e) keeping the company on track by reflecting on the factors that determine the company's success, and (f) leading the company by maintaining its resource advantages while seeking new opportunities to generate more valuable resources (Covin & Slevin, 2002). Inspired by the six characteristics of the entrepreneurial leadership, Ireland, Hitt and Sirmon (2003) defined entrepreneurial leadership as "the ability to influence others to manage resources strategically in order to emphasize both opportunity-seeking and advantage-seeking behaviors” (p. 971).

Another definition of entrepreneurial leadership by Gupta, MacMillan, and Surie (2004) was the ability to create a vision of developing new values and building a team to support it. Gupta et al. pointed out that entrepreneurial leadership is vital within the context of small firms where entrepreneurs’ leadership capability can determine the destiny of small businesses. More recently, scholars tried to define entrepreneurial leadership by comparing it with traditional views of leadership. For example, Thornberry (2006) proposed that what really set entrepreneurial leadership apart is that it emphasizes an entrepreneurial mind-set and skills in identifying and seizing new business opportunities. Surie and Ashley (2008) further argued that at the core of entrepreneurial leadership is the capability of maintaining innovation and adapting quickly to changing business environments.

Other current literature suggests two approaches of studying entrepreneurial leadership (Bagheri & Pihie, 2011; Kempster & Cope, 2010; Swiercz & Lydon, 2002). The first approach emphasized how entrepreneurs’ leadership competence helps them achieve success in their business endeavors. As Swiercz and Lydon (2002) noted, leadership competence plays a significant role in dealing with business growth challenges at different stages of an entrepreneur’s venture.

The second approach, as Bagheri and Pihie (2011) described, is a “socio-cultural and situated” (p. 4) approach. Such an approach views the development of entrepreneurial leadership as a learning process for entrepreneurs to become leaders of various organizations (Kempster & Cope, 2010).

Other perspectives on entrepreneurial leadership also flourished. For instance, Gupta et al. (2004) identified two primary and interrelated challenges for entrepreneurial leadership. One challenge was to create a business scenario that involves achieving transformation through reforming current business operations with limited resources. The other challenge is to convince followers and stakeholders of the enterprise that transformation is attainable by using certain resources.

Kuratko (2007) explored entrepreneurial leaders' three potential destructive behaviors: risk confrontation, stress, and personal ego. For example, entrepreneurs may experience physical illness due to high pressure caused by high risk. Furthermore, personal ego could bring entrepreneurs business success or lead them to bad judgments in business decisions because ego could bring "an overbearing need for control, a sense of distrust, an overriding desire for success, or unrealistic optimism" (Kuratko, 2007, p. 5).

Entrepreneurial Learning

Entrepreneurial learning is an emerging subject in both the field of entrepreneurship and the field of organizational learning (Gorman, Hanlon, & King, 1997; Harrison & Leitch, 2005; MacPherson, 2009; Minniti & Bygrave, 2001; Rae, 2004, 2006). Eliasson (1996) noted that in the modern economy, entrepreneurs must constantly engage in learning. This learning is specifically for enhancing necessary competencies to build a successful business infrastructure. Harrison and Leitch (2005) further elaborated on these competencies that include (a) the awareness to foresee the market potential of new inventions or technologies, (b) the ability to raise funds to finance the new start-ups to operate in order to turn ideas into realities, and (c) the competence to manage firms to develop and expand from the start-up stage to the mature stage.

In contrast, Smilor (1997) noted that entrepreneurial learning is central to the entrepreneurial process. Effective entrepreneurs are extraordinary learners who learn from everything and everyone that they encounter in their venture. Therefore, they are both pioneers and practitioners who focus on learning things from daily practices.

Despite numerous studies conducted on learning in an entrepreneurial context since 2005, the topic is still at in the early phase of research (Deakins & Freel, 2005; Harrison & Leitch, 2005, 2011; Ravasi & Turati, 2005). Nevertheless, two major approaches have been adopted in the study of entrepreneurial learning: the behavioral approach and the cognitive approach.

Behavioral approach. Behaviorists view entrepreneurial learning as a response to the environment that results in changes in entrepreneurs' behaviors (Arrow, 1962; Deakins & Freel, 1998; He, 2006; Yan-Man, 2006). Learning is a direct product of human experience, and true learning can take place only by attempting to solve problems (Arrow, 1962). The dynamic nature of entrepreneurship causes behavior change in entrepreneurs (Deakins & Freel, 1998). This change in entrepreneurs' behaviors is the starting point where they become able to gain knowledge and skills from their experiences. Furthermore, this learning process by behavioral change is critical to entrepreneurs because their ability to learn will eventually determine to what extent their business can grow (Deakins & Freel, 1998).

Some behaviorists have concentrated on studying how specific events, such as failures, have trigged the learning behaviors of entrepreneurs. For instance, Ellinger, Watkins, and Bostrom (1999) found that "high-consequence issues" (p. 115) such as failures can cause learning behaviors within the organization. Failures prompt leaders to engage actively in learning because through the high-consequence issues, leaders begin to realize that learning is the only way to help their organization to recover quickly. Any delay in learning can lead to more severe consequences; therefore, leaders should take actions to implement concrete learning actions within their organizations (Ellinger et al., 1999).

Based on his research with company executives and small business owners, Mulqueen (2005) found that entrepreneurs learned three major learning behaviors from their failures. The first learning behavior was that entrepreneurs had gone through a critical reflection about themselves and the failure event (Mulqueen, 2005). After the failure occurred, entrepreneurs "synthesized their failure experiences" (Mulqueen, 2005, p. 114) and reflected on their behavior patterns to make necessary change to prevent from making the same mistakes again in their next ventures.

Second, the entrepreneurs learned to shape and sharpen their personality traits from their failures, including "humility, resilience, perseverance and expertise" (Mulqueen, 2005, p. 122). Third, failures strengthened entrepreneurs' view that learning is a lifelong process. Failures enhanced the entrepreneurs' continual learning habits and they used failures as references to examine their previous business practices. The learning process also helped entrepreneurs replace outdated lessons with new input based on their reflections of their own mistakes (Mulqueen, 2005).

Cognitive approach. Unlike behaviorists, cognitivists sought a different route to study entrepreneurial learning. They focused on entrepreneurs' mental processes that guide learning and activities in business ventures (Busenitz & Barney, 1997; He, 2006; Mitchell, Smith, Morse, Peredo, & Mckenzie, 2002; Mitchell et al., 2004, 2007; Petokova, 2009; Sanchez, Carballo, & Gutierrez, 2011). Busenitz and Barney (1997) contended significant differences exist in the cognitive mechanism between entrepreneurs and managers in large organizations. During their research, they collected data from 124 entrepreneurs and 95 managers in the United States and found that entrepreneurs tended to have more bias and heuristics in their mind when they made decisions compared to managers. For instance, entrepreneurs often have to make decisions based on limited information such as historical trends, level of previous performance, and specific market indicators to avoid uncertainties in their venture. Because most entrepreneurs were unable to have their innovative ideas tested before launching them in the market, it was difficult to validate their business ideas beforehand. This is especially true when entering a new market where there was no successful precedent (Busenitz & Barney, 1997). Therefore, entrepreneurs often make business decisions by trial and error.

In addition, entrepreneurs are generally overconfident about themselves. As Busenitz and Barney (1997) noted, overconfidence enables entrepreneurs to take bold actions to turn their ideas into realities. The inner drive motivates entrepreneurs to proceed with their ideas before they can figure out every detail. To Busenitz and Barney, overconfidence is a typical cognitive mentality of entrepreneurs that can be most beneficial during the start-up stage of their business. Nevertheless, overconfidence has both advantages and disadvantages. Overconfidence could turn a good entrepreneur into a bad manager if his or her bias from overconfidence causes bad decisions that lead to financial losses and other failures.

Similar to Busenitz and Barney's (1997) exploration, other scholars, including Simon, Houghton, and Aquino (2000), carried out research on why some people choose to become entrepreneurs while others do not. After surveying 191 masters of business administration students, Simon et al. found that the students who intended to start their own businesses had certain cognitive biases in their mind that would lower their perception of the riskiness of their business endeavor. The research indicated that two major cognitive biases have significant influences on lowering the risk perception.

One bias is “the belief in the law of small numbers” (Simon et al., 2000, p. 114), in which entrepreneurs have a mental bias tendency that they will make their decisions or draw a conclusion based on a limited amount of information. The other bias is the “illusion of control” (Simon et al., 2000, p. 114), which happens when entrepreneurs believe they have the power and ability to control an event that is beyond their control. As a result, entrepreneurs start their business not because they can accept a high level of risk but because their mental biases reduce their perception of risk regarding their venture.

Simon et al. (2000) further explained that this biased cognitive mental mechanism can benefit the start-up stage of a business venture but could mislead a business as it grows. When pursuing a new venture, continuous and enhanced learning will help entrepreneurs avoid misinterpreting reality. As entrepreneurs’ business experience increases, they can gradually develop “entrepreneurial alertness” (Gaglio & Katz, 2001, p. 96) in their mind. This alertness refers to a special set of cognitive processing skills that helps entrepreneurs to identify business opportunity.

Another cognitivist, Parker (2007), indicated that entrepreneurs learned two kinds of knowledge in their venture. One kind of knowledge concerned market, technology, competitors, customers, and business operations. An example would be information passed passively or unintentionally between participants in a market, which also called the market signal. When entrepreneurs receive market signals, they should pick up clues and form strategies accordingly. The other kind of knowledge referred to the skills and abilities required to start a business. For instance, entrepreneurs would need skills in designing their business models and integrating various resource channels.

The focus of other cognitive studies was on how entrepreneurs have learned from their missteps. Petokova (2009) developed a cognitive model to explore how entrepreneurs learn from their errors. The learning process contains three steps: "observing and interpreting the outcomes, comparing the outcomes to the expectations, and detecting an error" (p. 355). In the first step, the outcome observation and interpretation is a process where entrepreneurs make a subjective evaluation about the outcomes based on their own knowledge structures. The knowledge structures are usually the main source of judgment to determine whether an outcome is favorable. Moreover, it is proposed that generalized knowledge can help entrepreneurs to interpret outcomes more effectively than specialized knowledge can.

In the second step, entrepreneurs will compare the outcomes to their expectations. For instance, if entrepreneurs consider that the outcomes are close to or exceed their expectations, they do not see a need to make any adjustments in their actions. However, if outcomes appear to fall short of meeting their expectations, entrepreneurs would consider the deviation as an error and seek explanations. This will lead to the third step: if entrepreneurs are able to detect any errors, they tend to look for causes and potentially learn from errors. In fact, only when errors have been identified would entrepreneurs begin the learning process to get the most out of the errors (Petokova, 2009).

Failure

Failure is no stranger to many and is a significant outcome for most entrepreneurs (Hayward, Shepherd, & Griffin, 2006). Gerber (2001) cited statistics from the U.S. Small Business Administration and contended that 40% of new small businesses are predicted to fail after their first year. This ratio sharply increases to 80% when a business reaches its 5th year. Even though entrepreneurial failure is such a common phenomenon, it has not received much attention from scholars until recently. Hornaday (1982) recognized that the area of entrepreneurial failure required more research to reduce the literature shortage.

Define failure in the entrepreneurial context. The simplest definition of entrepreneurial failure is bankruptcy or insolvency (Cotterill, 2012; Simmons, 2007; Zacharakis et al., 1999). Simmons (2007) explained that failure should be defined as business closure, bankruptcy, or change in ownership to lessen financial loss.

Some researchers, however, suggested that although defining bankruptcy or business closure as entrepreneurial failure is effortless, this definition does not cover all possible failures that an entrepreneur may experience (Cannon & Edmondson, 2001; McGrath, 1999; McKenzie & Sud, 2008). According to Singh et al. (2007), failure includes more than mere bankruptcy. Instead, they proposed that the definition of failure needed to include issues such as failing to solve conflicts among business partners properly or entrepreneurs' personal limitations that led to business discontinuance.

Shepherd (2003) extended the failure definition as "involuntary change in both the ownership and management of the business owing to poor performance" (p. 319). Based on Shepherd's notion, Singh et al. (2007) proposed that other forms of failure also needed to be included, such as definitions of entrepreneurial failure. These include failures caused by legal problems, dissolution of partnerships, and entrepreneurs' personal issues (Singh et al., 2007).

Cannon and Edmondson (2001) provided a broader failure definition: any deviation from entrepreneurs' expected and desired results. The deviation includes both avoidable errors and unavoidable negative outcomes. Choosing this definition serves two purposes: it clarifies the spectrum of failure and encompasses "failures of diverse types and magnitude" (Cannon &

Edmondson, 2001, p. 162). As there is no positive correlation between the amount of learning and the scale of a failure, entrepreneurs can learn from both major and minor failures.

Impacts of failure. Failure can significantly affect entrepreneurs' personal and professional lives. According to contemporary scholars in the study of entrepreneurial failure, these impacts can be categorized into three different areas: financial impacts, social impacts, and psychological impacts (Cope, 2011; Shepherd, 2003; Singh et al., 2007; Ucbasaran, Shepherd, Lockett, & Lyon, 2013).

Considering the financial impacts, entrepreneurs who are impatient for success are most likely to invest aggressively, which can result in huge financial gains as well as losses (Arora & Nandkumar, 2011). Cope (2011) reported all the participants in his study experienced a certain level of financial loss from failures. The lightest suffering from a financial loss can be income loss due to business closure. More severe financial damage can include loss of personal assets such as pension, properties, and retirement funds (Cope, 2011; Singh et al., 2007). When the impact of financial losses is long term, entrepreneurs may suffer from having more debt or credit damage. Although failure may have a considerable cost in terms of finance, there are various alternatives for entrepreneurs to recover from their losses, such as finding new employment or starting a new venture (Singh et al., 2007).

The failure can also affect entrepreneurs' social relationships. According to Cardon, Stevens, and Potter (2011), most of the entrepreneurs sense the stigma of their failure. The stigma of failure can cause some entrepreneurs to engage in "self-imposed social distancing and withdrawal" (Ucbasaran et al., 2013, p. 177). At the personal level, entrepreneurs who experience failure can have an increasing sense of loneliness as they may find themselves too embarrassed to talk to their peers or families about their losses. Singh et al. (2007) indicated that feelings of loneliness and isolation might be only the beginning of the social costs for failed entrepreneurs. Some also encounter collapses in personal relationships, such as divorce. At the professional level, failed entrepreneurs may need to mend relationships with and to regain trust from their investors and partners (Cope, 2011; Singh et al., 2007). The business relationship can be damaged or discontinued, and lawsuits may follow.

In terms of psychological impacts, it is widely believed that failure can cause negative emotions among failed entrepreneurs (Cope, 2011; Shepherd, 2003; Singh et al., 2007). Failures can cause feelings of grief in entrepreneurs, where grief is capable of "triggering behavioral, experiential, and physiological symptoms" (Shepherd, 2003, p. 320). Similar to Shepherd's (2003) view, Singh et al. (2007) found that grief was a common psychological effect experienced by participants in their study. They also recognized other psychological effects of failure, including panicking over losing control of situations and experiencing different levels of depression, anxiety, and fear that may result in anger and self-denial.

Causes of failure. The primary focus of the current literature on entrepreneurial failure is on what causes entrepreneurs to fail (Hamilton, 1983; Headd, 2003; Jin, Bessler, & Leatham 2013). From the perspective of the economy, Jin et al. (2013) noted the overall economic situation and environment largely influences the failure rate of small businesses. In an economic recession, business owners can find it more challenging to boost their sales as customers tend to save more instead of spend more.

Some researchers analyzed entrepreneurial failure from a psychological perspective. Beaver and Jennings (2005) contended that overconfidence or an egotistical attitude could cause the abuse of entrepreneurial power, which may in turn lead to company failure. Instead of blaming it all on a single factor of overconfidence, Hogarth and Karelaia (2012) contended that entrepreneurs' fallible decision to enter into a wrong industry at a wrong time causes some entrepreneurial failures. Therefore, failure is inevitable from the time they launch their own enterprises.

Other scholars have sought possible causes from a social capital perspective (Samuels, Joshi, & Demory, 2008). Bamford, Bruton, and Hinson (2006) found that social capital could play a critical role in determining whether a new venture will fail. According to Bamford et al., entrepreneurs' social capital, such as personal relationships, networks, and connections, is a unique resource that needs time to be established and cannot be easily replicated by other competitors. Owning a certain amount social capital would "appear to have the potential to be a particularly powerful means to develop a competitive advantage for the firm" (Bamford et al., 2006, p. 209). Nevertheless, first-time entrepreneurs may have limited social capital at the very beginning. If they failed to raise sufficient social capital through building up their business networks in the process, their companies may eventually fail.

Another cause of failure can be the level of entrepreneurs' experiences. Shepherd (2003) noted that experienced entrepreneurs have a higher chance of surviving in their new start-ups than do those who lack experience. Less experienced entrepreneurs can face tremendous challenges in branding their product and managing their team (Gimeno, Folta, Cooper, & Woo, 1997). Lussier and Pfeifer (2000) found the level of human resource management experience, in particular, often determines survival and growth in new businesses.

Not until recently have researchers started to explore entrepreneurs' ethnic background as a cause of entrepreneurial failure. Some researchers examined whether minority groups have more difficulties running businesses and whether it is easier for them to fail (Samuels et al., 2008). For instance, Samuels et al. (2008) conducted a case study about a small minority-owned business and found that discrimination did influence customers' view on choosing a service company. Therefore, minority-owned businesses, especially service businesses, are more vulnerable to failure than are their Caucasian-owned business counterparts. Other researchers also observed the same phenomenon in specific minority groups. Kollinger and Minniti (2006) observed the entrepreneurial involvement rates between Caucasian Americans and African Americans. The findings indicated there is no difference in willingness to participate in entrepreneurial activities between the two groups. Nonetheless, compared with Caucasian Americans, African Americans had a stronger barrier in obtaining financial support to start their venture, and thus their failure rate was higher than that of their Caucasian counterparts.

Robb (2002) compared the survival rate of minority-owned businesses and non-minority-owned businesses and found that only Asian-owned business had a better rate when compared with Caucasian-owned companies. African-American-owned and Hispanic-owned companies tend to have lower survival rates than businesses owned by Caucasian Americans. Thus, some minority groups have greater obstacles than other ethnic groups when running a business.

Failure and entrepreneurial learning. It is widely accepted among scholars that failure is an important driving force that stimulates the learning of entrepreneurs in business ventures (Antonacopoulou & Sheaffer, 2014; Baumard & Starbuck, 2005; Cannon & Edmondson, 2001; Cope, 2011; Edmondson, 2011; Ellis et al., 2014; Fu-Lai, 2008; Gino & Pisano, 2011; McGrath, 1999; Politis & Gabrielsson, 2009; Shepherd, 2003; Sitkin, 1992; Stockes & Blackburn, 2002; Taylor, Jones, & Boles, 2004; Thornhill & Amit, 2003). As Cope (2011) proposed, recovering from failure is a process of learning where various higher level learning outcomes can be expected. Through failure, entrepreneurs can have a deeper understanding about themselves. The self-reflection is so critical that it would improve entrepreneurs' network knowledge, relationship building, and venture management experiences. Thus, self-reflection will increase the chance of entrepreneurs being successful in their next ventures. It may be surprising to many that entrepreneurial failure and success have a dynamic relationship in which these two are built upon and affect each other (Coelho & McClure, 2005). Through failures, entrepreneurs gain knowledge and hold a more realistic expectation regarding what they can do and how they should handle uncertainty with perseverance.

Sitkin (1992) conducted pioneering work on entrepreneurial learning from failure. Failure can work as a change agent for entrepreneurs to rethink and rebuild their old ways of thinking and behaviors through a thorough reflection on why and how they fail. Consequently, failure affects entrepreneurs' learning at the individual level and serves as the essential ingredient for changes in the organization that the entrepreneur has built. Sitkin indicated that failure is a more effective way of promoting learning for entrepreneurs.

Inspired by Sitkin's (1992) work, McGrath (1999) found that failure can assist with entrepreneurial learning and held that the cognitive bias of the antifailure mind-set is more harmful than the failure itself. The antifailure mind-set can prevent entrepreneurs from learning from their failure. Therefore, avoiding failure cannot benefit entrepreneurs in the long run; it is more critical to manage the cost of failure and integrate failure as a learning tool for entrepreneurs to achieve substantial growth.

Cannon and Edmondson (2001) extended the discussion of learning from failure from the individual level to the organizational level. Different from learning barriers such as low self-esteem and self-efficiency at the individual level, the barriers at the organizational level are risk of being stigmatized and fear of losing compensation and future opportunities within the organization. To minimize these learning barriers, organizational leaders should set an unconventional attitude about failure and direct subordinates to learn from failure. Moreover, leaders play key roles in organizations to facilitate psychological safety among their subordinates when failure occurs to ensure subordinates' motivation of learning from failure and eventually enhancing their performances (Hirak, Peng, Carmeli, & Schaubroeck, 2012).

Considering the learning outcomes from failure experiences, Stokes and Blackburn (2002) noted that positive learning outcomes could be generated through failure experiences in entrepreneurs' lives, such as business closure. In interviews with 20 entrepreneurs who had experienced business closure in their prior ventures, the majority stated that they had benefitted from learning through their own failure. Business-related skills such as finance and marketing skills are widely regarded as the common learning outcome from entrepreneurs' failures. Additionally, entrepreneurs believe the most valuable lessons they have learned from failure are related to personal development, such as self-management, coping with disciplines, and fostering trust among subordinates and business partners (Stokes & Blackburn, 2002).

Another outcome, as Politis and Gabrielsson (2009) discovered, is a positive attitude toward failure. Entrepreneurs who have multiple start-up experiences or business closure experiences tend to hold a more positive attitude toward their failure compared with those who do not. These experienced entrepreneurs see failures as indications that they need to improve or change their current ways of conducting businesses in order to succeed.

The learning outcomes from entrepreneurial failure can be psychological and social (Singh et al., 2007). In the psychological aspect, entrepreneurs learned to use a more realistic assessment about their own personal skills and to understand which traits will work in a successful venture. In the social aspect, entrepreneurs learn how to find and build a team that can complement their own skills to make the business successful. Both Politis and Gabrielsson (2009) and Singh et al. (2007) proved that through failure, entrepreneurs have gained a more realistic view about themselves based on more in-depth self-reflections and that a positive attitude toward failure is critical for venture success.

In another study on learning outcomes from failure, Cope (2011) had reached a conclusion that learning from venture failure is more radical than incremental. Learning from failure can motivate business owners to redefine their concept of entrepreneurship. Meanwhile, the learning can help them enhance their knowledge of building successful ventures.

To explore the learning process of entrepreneurs from their failures, scholars are trying to find answers from different perspectives. The psychological perspective and cognitive perspective are the two primary approaches discussed by scholars (Cope, 2011; Mueller & Shepherd, 2012; Shepherd, 2003; Singh et al., 2007). From a psychological perspective, Shepherd (2003), a leading expert in the empirical study of entrepreneurial failure, explored how grief from failure plays a role in entrepreneurial learning. Because entrepreneurs are company owners, they are likely to take their business failure personally, which often results in grief. Grief from the loss of a business brings different learning to entrepreneurs than grief from a personal loss, even the loss of loved ones. The learning from losing a loved one can be "highly philosophical and existential" (Shepherd, 2003, p. 320), whereas the learning from losing a business tends to be more "practical and constructive" (Shepherd, 2003, p. 320).

Learning does not happen instantly or automatically when failure occurs (Shepherd, 2003; Yamakawa et al., 2010), because as Shepherd (2003) pointed out, grief could interfere with the information processed in the human mind and thus could create a barrier for knowledge acquisition. When entrepreneurs have recovered from their grief, the emotional interference over their information acquisition decreases to a level where learning can occur. Learning starts to take place when entrepreneurs begin to collect information and rethink how they failed. This learning process can help entrepreneurs to gain a deeper understanding about their previous decisions and actions. It also helps them to enhance their knowledge of how to manage their business more effectively.

From a cognitive perspective, Mueller and Shepherd (2012) conducted an empirical study and noted that entrepreneurs learn to enhance their opportunity recognition expertise from their failures. The study was based on quantitative data collected from 114 entrepreneurs located in the central United States. The study revealed that failure can cause entrepreneurs to use more structural alignment in their mind, which is a cognitive tool used to make comparisons between things and from which to draw implications.

The structural alignment helps entrepreneurs improve their skills of identifying new venture opportunities. To be more specific, through structural alignment, entrepreneurs carefully assess the benefits and the capabilities of the products. They also evaluate the needs and desires in the market. Finally, the entrepreneurs would match appropriate products and services to the needs of a target market (Mueller & Shepherd, 2012). Hence, the structural alignment process in the cognitive approach helps entrepreneurs to transfer their failure experiences into the knowledge of opportunity recognition.

Summary

The focus of this review has been contemporary literature on entrepreneurship, leadership, failure, entrepreneurial leadership, and entrepreneurial learning. Figure 1 is a graphical depiction of how these areas related to each other and led to the research questions formulated. Together they formed the theoretical framework of this study.

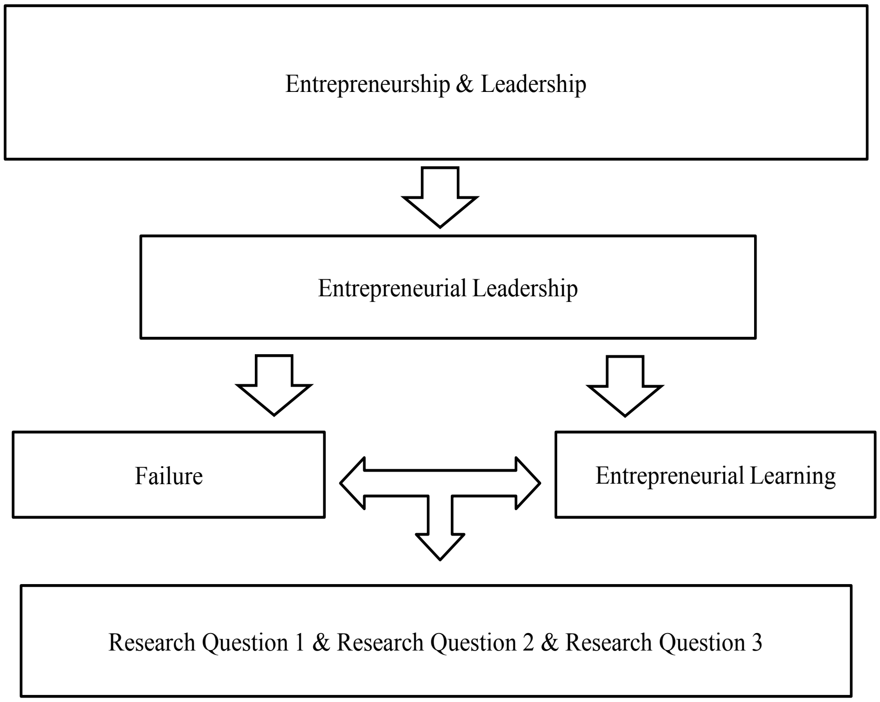

Figure 1. Illustration of the theoretical framework.

As shown in Figure 1, the literature review first explored literature on entrepreneurship and on leadership, which provided a conceptual foundation for the study. The literature review then narrowed from these two broad areas to entrepreneurial leadership. Studies of entrepreneurial leadership considered entrepreneurs as leaders and indicated leadership is one of the essential components for venture success. Moreover, the leadership competence plays a significant role for entrepreneurs in dealing with challenges in their business development. Incompetence in leadership or overlooking the negative effects of personal egos can lead entrepreneurs to make poor judgments on important decisions and eventually lead to venture failures. From entrepreneurial leadership, two subcategories emerged: failure and entrepreneurial learning.

The review on failure indicated how researchers have defined failure in the entrepreneurial context. It also explored the possible causes and effects of failure. Although failure is a common experience for entrepreneurs, there is a lack of discussions on how failure influences entrepreneurial leadership. Failure, nevertheless, offers learning opportunities for entrepreneurs to grow and become better leaders. Though learning can result from success experiences as well, failure experiences can motivate entrepreneurs to learn from mistakes or the unexpected and come up with solutions for future scenarios.

Research on entrepreneurial learning highlighted learning as the center of the entrepreneurial process. The scholarly findings indicated that entrepreneurs' attitude and actions tend to change when learning from their failures. Entrepreneurial learning helps entrepreneurs to lead themselves and their organizations more effectively. As entrepreneurs reflect on their actions and the consequences, they might become better learners and leaders and have a better chance to succeed. Failing or missing to learn brings cost of energy, money, resources and time.

Few researchers in the contemporary literature have examined failures and the lessons entrepreneurs have learned from failure through a phenomenological approach. This study therefore involved identifying failure experiences and lessons from entrepreneurs in hopes of encouraging a positive attitude toward failure and contributing to the current literature and research. As mentioned before, the topic of Research Question 1 was the impacts that failure has on entrepreneurs. The topic of Research Question 2 was what lessons that entrepreneurs have learned from their failure experiences. The topic of Research Question 3 was how entrepreneurs had applied the lessons learned into practice.

Chapter 3: Methodology and Procedures

Introduction

This chapter includes a detailed discussion of the research methodology. The research method presented in this chapter indicates the framework and guidelines for the design of this study. The chapter also includes a description of the process for selecting data sources, the definition of the analysis unit, the data collection instrument, the validity and reliability of the instrument, and the data collection procedure. Also included is a description of the data analysis process and the process followed to obtain Institutional Review Board (IRB) approval.

Restatement of Research Questions

This phenomenological study included three research questions:

- *Research Question 1*: What are the impacts of failures, if any, on entrepreneurs?
- *Research Question 2*: What lessons, if any, have entrepreneurs learned from failures, as leaders of their companies?
- *Research Question 3*: How have entrepreneurs applied the lessons, if any, into their practice?

Description of the Research Methodology

The research methodology serves as a philosophical foundation for designing research. Selecting the proper research methodology involves careful consideration of four major research factors: (a) the problem that the researcher tries to solve, (b) the purpose of conducting research, (c) the theoretical foundation or framework for the research, and (d) the type of data the researcher tries to collect (Roberts, 2010). With these four factors as the guideline, the researcher used a qualitative research design with a phenomenological approach to explore the failure experiences from the selected entrepreneurs. The following is a detailed description and rationale of the research methodology used for this study.

Overview of qualitative research. Different from quantitative research, which involves testing proposed theories by examining relationships among different variables, qualitative research has a distinctive philosophical perspective in its own paradigm (Creswell, 2013; Kumar, 2011). The main focus of qualitative research is to "understand, explain, explore, discover and clarify situations, feelings, perceptions, attitudes, values, beliefs and experiences of a group of people" (Kumar, 2011, p. 104). Creswell (2013) contended that qualitative research is a research approach in which the researcher's interpretations of the data play an important role. Qualitative researchers collect non-quantitative data such as "field notes, interviews, conversations, photographs, recordings, and memos to the self" (Creswell, 2013, p. 44). Researchers who use the qualitative approach tend to put themselves in natural settings where they focus on searching for and interpreting the meanings of a certain phenomenon and trying to make sense of the meanings.

The purpose of this study was to explore the selected entrepreneurs' perceptions, beliefs, and values from their failure experiences. The study involved identifying lessons, including the ones from a leadership perspective, which these entrepreneurs have grasped from failures in their ventures. Therefore, a qualitative research design was the best fit to achieve the goals for this study.

The phenomenological approach. Researchers use the phenomenological approach to examine the commonalities in all participants' perceptions related to a phenomenon that they all have experienced (Creswell, 2013). Each individual's descriptions give an account of his or her experiences of a particular phenomenon (Clark, 2005). These descriptive data include essential information about the participants regarding what they have experienced and how they experienced a certain phenomenon (Moustakas, 1994).

In this phenomenological study, the purpose was to study the failure phenomenon in an entrepreneurial context through the phenomenological approach. The researcher gathered descriptive data given by the participants about their failure experiences in their business ventures. Then, the researcher identified the common ground that existed among the participants' descriptions of their failure experiences (Darling, 2012).

In addition, researchers should be careful not to rely on a predetermined hypothesis or theory to determine the phenomenon they will explore (Clark, 2005; Darling, 2012). A predetermined hypothesis can bring researchers' personal biases into the research and therefore need to be cautiously controlled (Darling, 2012). To control these biases, phenomenologists introduced the technique of bracketing (Clark, 2005; Creswell, 2013; Darling, 2012; Moustakas, 1994). The concept of bracketing originated from Husserl's work and was further developed by Moustakas (Creswell, 2013; Husserl, 1931; Moustakas, 1994). Researchers use bracketing to document their prior experiences related to the research topic. In this study, the researcher first drew from his cultural background and reflected on his views about failure. The researcher then introduced his experience working with two company owners. His interactions with entrepreneurs and his involvement in daily business operations provided insights and biases (see Appendix A). With this documentation, the researcher bracketed his experiences and therefore purposefully excluded certain biases (Darling, 2012).

In addition to a researcher's biases, consciousness plays an imperative role, as it can significantly influence participants' experiences. According to Creswell (2013), a person's perception about the reality of an object is largely influenced by his or her consciousness.

Creswell called this the intentionality of consciousness and proposed that a person's consciousness is able to interpret his or her experiences. The intentionality of consciousness makes it possible for phenomenologists to "distill the structure or essence of a phenomenon" (Darling, 2012, p. 50).

As information about the conscious world is conveyed through language (Giorgi, 1997), the researcher paid attention to what the participants said. By recording the interviews with the participants, the researcher was able to analyze the underlying structure and the essence of the failure phenomenon.

During the in-depth interview process, the researcher began to question his ability to understand the participants' responses. When this occurred, the researcher sought clarification from participants by asking follow-up questions to ensure a clear and developed understanding of participants' lived experiences. The process of clarification took place not only during the interview but also after it by sending e-mails and calling participants (Becker, 1992; Darling, 2012). This led to the development of a thorough understanding of participants' experiences of the phenomenon and removed the potential for data misinterpretation.

Process for Selecting Data Sources

There is no strict rule for a minimum sample size in qualitative research. The smallest size can be a single individual (Patton, 2002), and an ideal sample size for phenomenological research consists of three to 10 participants (Dukes, 1984). The researcher set the target sample size for this study at 10 entrepreneurs, which was also the actual number of participants.

It is important to choose participants who have phenomenon-related experiences (Creswell, 2013). This study had criterion sampling as its primary sampling method. Criterion sampling helps researchers to ensure each participant has personal experiences of a phenomenon.

In this case, the researcher selected individuals who met the following two criteria: (a) had ever owned a business for at least 5 years with at least one subordinate and (b) had failure experiences in their business venture. The individuals were chosen based on the criteria of this study (see Appendix B) and came from researcher's personal and professional networks. The researcher sent each individual an e-mail to set a date and time for an interview in early April 2015. Only one individual declined the invitation, claiming a tight schedule. Ten individuals accepted the invitation to participate in the study and signed their consent forms. Thus, the researcher had finished the data selection process because the target sample size had been fulfilled.

Definition of Analysis Unit

In this phenomenological study, the analysis units were individual entrepreneurs who had failure experiences in their business ventures. The analysis units were all U.S. residents and represented businesses owners across different industries in the United States. The researcher evaluated the units' knowledge, reflections, and experiences about their failure experiences in business ventures.

Definition of Data Gathering Instruments

To gather sufficient data from the participants, the researcher developed several open-ended interview questions. The interview questions for each research question are as follows:

- *Research Question 1*: What are the impacts of failures, if any, on entrepreneurs?
    - *Interview Question 1*: In your opinion, what comes to your mind when you think of failure? (After participant answered 1, researcher gave the failure definition mentioned in Chapter 1.)
    - *Interview Question 2*: Please describe one or two failures that you have experienced in your business.

- *Interview Question 3*: Could you describe what impacts the failures have had on you personally?
- *Interview Question 4*: Could you describe what impacts the failures have had on your company?

- *Research Question 2*: What lessons, if any, have entrepreneurs learned from failures, as leaders of their companies?
    - *Interview Question 5*: As the leader of your company, how did those failures influence the way you have led yourself and your company?
    - *Interview Question 6*: What are some of the lessons that you have learned from those failures?
    - *Interview Question 7*: How have those lessons influenced your leadership capability and growth?
- *Research Question 3*: How have entrepreneurs applied the lessons, if any, into their practice?
    - *Interview Question 8*: How have you applied those lessons to the ways that you conduct your business?
    - *Interview Question 9*: What were the obstacles when applying the lessons and how have you overcome them?
    - *Interview Question 10*: What were the outcomes or changes in your business after applying the lessons?
    - *Interview Question 11*: What advice would you share with anyone who would like to become an entrepreneur in terms of how to deal with failures?
    - *Interview Questions 12*: Is there anything else that you would like to add?

Validity of Data Gathering Instruments

According to Kumar (2011), the validity of an instrument refers to the extent to which an instrument is able to measure what the researcher aims to measure. In this research, to ensure the validity of the interview questions, a panel of experts was invited to review the questions beforehand. The panel offered unbiased comments, and the researcher revised the questions as necessary to improve the validity of each question and the overall instrument. Members of the panel were selected based on their expertise on the subject of this research as well as their knowledge of the research methodology for doctoral research (see Appendix C).

Reliability of Data Gathering Instruments

The reliability of a data-gathering instrument depends on two important factors: being consistent and being stable (Kumar, 2011). If a research instrument can produce consistent and stable measurements, the result is more predictable and accurate (Creswell, 2013; Kumar, 2011). Thus, the more consistent measure that the instrument can offer, the more reliable it can be. To ensure the reliability of this research, the researcher reviewed all interview questions with help from the panel of experts to determine if the instrument would be reliable. The members of the panel commented on whether questions contain any vague wording that might confuse or mislead interviewees. Based on the feedback from the panel, the researcher revised the interview questions to be more clear and precise.

Different from quantitative research, the data in qualitative studies are usually descriptive and based on the interviewees' subjective perceptions, which increases the difficulty of replicating the research procedure to obtain the same results that can be used as evidence of the reliability of the data-gathering instrument. To improve the reliability for qualitative research, Guba and Lincoln (1985) advised that maintaining an extended and detailed record of the data-gathering process will ensure a higher level of reliability. To follow Guba and Lincoln's suggestion, the researcher used a digital voice recorder to record the entire dialogue between the researcher and the interviewees. The digital recordings were used as means to check the reliability of all the verbal interactions during the interview. The participants were informed beforehand through the consent form that the interview would be recorded. All 10 participants granted their permissions to allow the researcher to record the entire interview conversation. After the interviewees granted permission, the researcher recorded the entire interview. The recorder was fully charged and a pack of backup batteries were available so that the interviews were not interrupted and the data recording was consistent.

Based on the recordings, the researcher created transcripts using NVivo 10 software. The researcher reviewed the transcripts and verified every sentence for accuracy. Within a week after the interview, the researcher sent each transcript to the respective interviewee for review. Each interviewee was asked to give feedback regarding whether the data were accurately recorded and transcribed (see Appendix D).

Data-Gathering Procedures

The data collection process began with a review of contemporary literature on the topics of entrepreneurship and leadership, as discussed in Chapter 2. Moreover, the review helped formulate and develop the research questions and the subsequent interview questions.

After selecting the target entrepreneurs, the researcher sent invitations to each potential interview candidate to ask for participation. The e-mail (see Appendix B) explained the purpose, procedure, potential risks, and benefits of the interview. The consent form (see Appendix E) and the 12 interview questions (see Appendix F) were attached to the e-mail. Committed participants signed and e-mailed the consent form back to the researcher. Therefore, the participants were able to preview the interview questions and prepare accordingly. Upon receiving the signed consent form, the researcher began to schedule a face-to-face interview according to the interviewee's preference on time and locations.

The researcher recorded all interview conversations and took notes during each interview. Each interview took approximately 90 minutes, and each interview followed an interview protocol developed by the researcher (see Appendix G). The interviews involved applying qualitative research interview skills that included "being authentic, creating trust, keeping eye contact, using a conversational tone, and displaying that the researcher uses active listening with participant" (Moodian, 2011, p. 55). The researcher let the interviewees do most of the talking and acted as a facilitator by encouraging the interviewees to describe things in detail and to elaborate on the experiences they mentioned. The researcher stayed objective and maintained a calm attitude while interacting with the interviewees by remaining sensitive to the fact that openly sharing one's failures takes courage and trust. By doing so, the researcher created an environment in which participants felt safe sharing their experiences without feeling ridiculed or judged.

The confidentiality of all participants' privacy was a priority to the researcher. All the information related to participants' identities remained confidential. Instead of disclosing participants' names, the researcher labeled each interviewee Participant 1, 2, 3, and so forth. All interview transcripts were filed and locked in the researcher's office. Within 1 week after each interview, the researcher sent a thank you e-mail to each interviewee and expressed his appreciation for the interviewee's willingness and contribution to the study.

Data Analysis Process

Data analysis in a phenomenological study involves analyzing and compiling the data collected into several themes through "a process of coding and condensing the codes, and finally representing the data in figures, tables, or a discussion" (Creswell, 2013, p. 180). The first step in the data analysis was bracketing the researcher's personal experiences. As Moustakas (1994) suggested, there was a need to have a full statement of the researcher's personal experiences related to the phenomenon. A statement of bracketing the researcher's personal experiences can help distinguish participants' experiences from the ones of researcher's and can help the researcher to hold a neutral position and focus on the participants' experiences instead.

The second step was to review the data collected from the interviews. The researcher listened to each interview recording at least three times, read the transcript of each interview several times, and analyzed the transcripts separately. Then the researcher started to form codes for each transcript. The transcripts were coded line by line to find meaning units, which were single words or short phrases. In each transcript, the experiences of the phenomenon were highlighted and marked with different colors to "create a broad description with thematic categories of each informant's experience" (Darling, 2012, p. 73). Creswell (2013) referred to this step of identifying the significant statements from each interview as data horizonalization.

In the final step of data analysis, all significant statements were refined into themes, with verbatim examples, for the purpose of answering each research question. A more detailed description of the data analysis process will be presented in Chapter 4.

Data Display

The data display for this research includes figures and tables to illustrate the results from the data analysis. Such visual representation can simplify "the complexity of the materials for analytical and communication purposes" (Evans, 2009, p. 160). The figures and tables can help to illustrate and compare the frequency of each finding identified in the analysis process. A description of each finding will also be included in Chapter 4.

IRB Approval

Protecting human subjects is an essential ethical consideration for a phenomenological study. Guided by the Institutional Review Board (IRB) policy at Pepperdine University, the researcher followed the rules made by the IRB of Pepperdine University closely. An important part of the IRB review is the inclusion of a consent form (see Appendix E) to protect all participants from potential risk. According to Creswell (2013), the form should include the following elements:

1. The participants are asked to voluntarily participate in this research.
2. They have the right to withdraw from the study at any time, with or without reason.
3. The study purpose and procedure need to be clearly stated and communicated to the participants before the interview can take place.
4. Any potential risk that could affect the participants needs to be clearly stated and communicated to them before the interview can take place.
5. The benefits from conducting this research need to be clearly stated.
6. All participants' identities have to be kept confidential.
7. Signatures from the participants and the researcher are required on the consent form.

A completed IRB application package was sent to IRB office of Pepperdine University for a full review in March 2015. Approval was granted from the office and the researcher was given permission to conduct his interviews as planned (see Appendix J).

Summary

Chapter 3 began with an introduction and discussion of the research method used in the study. Because the purpose of the study was to explore the phenomenon of failure among entrepreneurs, it was apparent that a phenomenological approach was most suitable. By implementing criterion sampling, the researcher purposefully selected entrepreneurs who have owned a business for at least 5 years, with at least one employee, and had experienced failure in their venture as data sources. The analysis unit for this research was these individuals.

Interviews were the main instrument used to collect data from participants. The interview instrument consisted of 12 open-ended interview questions that aligned with the three research questions. Before the interviews, a panel of experts examined the validity of the instrument. Digital recordings and interview notes were used to ensure the reliability of the data. Data analysis involved using the transcripts of the recorded interviews. The researcher created codes to find significant statements and related themes from the transcripts. Based on the significant statements, the themes were generated in order to answer each research question of this study. Finally, the IRB procedure was followed to minimize the potential risks to the participants. The next chapter will include the findings from the data analysis.

Chapter 4: Results

Introduction

As Chapter 3 indicated, the researcher selected the phenomenological approach to study entrepreneurial failure experiences. This chapter includes the descriptive data gathered from the interviews. In addition, the chapter includes the analysis and findings based on the information gathered, identified, and refined.

Demographics of Research Participants

The purpose of this study was to explore the failure experiences of small business entrepreneurs in the United States to learn possible valuable lessons from their failures. Hence, the researcher purposefully selected participants based on certain criteria. The participants met the following two criteria: (a) they had owned a business for at least 5 years and had at least one employee and (b) they had failure experiences in their business venture. The researcher selected 10 participants. Three participants were female and seven were male. The participants were from various industries in the United States and were seasoned entrepreneurs with an average of 22 years of business experiences (ranging from 18-27 years). All the participants were the founders and owners of their respective companies. Five out of 10 had experience with more than one start-up. One participant was retired, and the rest were actively involved in the daily management and operations of their businesses. Detailed demographic data of the participants are in Table 1.

Data Collection Procedure

Criteria sampling was the primary data selection method. The target sample size for this study was 10 individuals. At the beginning of April, the researchers e-mailed 11 individuals from his personal and professional networks. All accepted the invitation exception one. All 10 participants signed the consent forms and agreed to allow the researcher to use a digital recording device to record conversations during interviews.

Table 1

Demographics of Participants

Participant	Gender	Industry	Years in business	Education	Marital status
Participant 1	M	Real estate development	27	Bachelor’s	Married
Participant 2	M	Retail	23	High school	Single
Participant 3	F	Retail	21	High school	Married
Participant 4	M	Import and export trade	19	Bachelor’s	Married
Participant 5	M	Import and export trade	25	Master’s	Married
Participant 6	F	Dry cleaning service	18	Bachelor’s	Married
Participant 7	M	Medical practice	20	Doctorate	Married
Participant 8	M	Medical practice	24	Doctorate	Married
Participant 9	F	Consulting firm	25	Bachelor’s	Married
Participant 10	M	Consulting firm	20	Master’s	Married

The face-to-face interviews took about 90 minutes and occurred between April and June 2015. The locations, dates, and times of the interview were based on each participant’s preference. During the interviews, the researcher followed the interview protocol to guide the entire process (see Appendix G). Within 1 week of interview completion, researcher produced transcripts based on the interview recordings and sent them to the interviewees. All the interviewees approved their interview transcript.

Data Analysis

After the interviewees reviewed and approved the transcripts, the researcher began the coding process. Each transcript was printed out and read at least three times to identify codes in each transcript. According to Saldana (2012), in a qualitative inquiry, a code is “often a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data” (p. 3). The researcher read each line carefully and highlighted words or phrases as codes that he deemed crucial in forming particular attributes and concepts. The researcher indicated these codes on the right margin of the page. The coding process was applied to every page of each interview transcript.

After the researcher finished coding, he listened to the recording while reviewing codes to determine which he should eliminate or refine. The purpose of this step was to ensure every code successfully represented the key ideas of each paragraph in the transcripts. A peer reviewer who had no association, prior knowledge, or expectation regarding this study participated in the coding process. As Roberts (2010) suggested, the use of second reviewer in a phenomenological study can provide inter-rater reliability to enhance the validity of the study. The selected coder was an experienced academic researcher who had obtained a master’s degree in management from a public university in California. The researcher sent all transcripts to the second reviewer for an independent review and coding process. To ensure the confidentiality of the participants, any information that might reveal the identity of a participant was removed from each transcript before being sent to the second reviewer. In addition, this reviewer signed a nondisclosure form (see Appendix I) that provided an additional level of confidentiality to prevent the identities of participants being revealed to anyone other than the primary researcher. Both the researcher and the second reviewer met face-to-face to discuss and compare their coding results after the second reviewer finished coding. Despite differences in word choice for some of the codes, the two reviewers came up with a similar set of codes overall.

The next step, as guided by Creswell (2013), was to develop a list of significant statements from the codes generated. Creswell called this process the “horizonalization of the data” (p. 193). To ensure the effectiveness of the process, the researcher listed all the codes in an Excel file. Each tab contained all the codes for each question, while a set of codes was displaced under each interviewee. Then, for each question, the researcher analyzed and grouped the codes across the 10 interviewees into several specific ideas. These ideas became statements, as common ideas of the codes. Hence, the following step was to count the number of interviewees who exhibited each statement. The researcher determined that each statement needed to have a minimum representation of six interviewees to become significant.

After creating a list of significant statements, the researcher then clustered the statements into larger meaning units, also called themes (Creswell, 2013). Consequently, the researcher analyzed and refined significant statements to construct the themes. Both significant statements and themes are presented in the Findings section.

Findings

As presented in Chapter 3, the researcher developed 12 interview questions that aligned under the three research questions to guide participants during the interviews. An overview of the relationship between the research questions and the related interview questions is demonstrated in Table 2.

Table 2

Research Questions and Related Interview Questions

Research questions	Related interview questions
1. What are the impacts of failures, if any, on entrepreneurs?	1. In your opinion, what comes to your mind when you think of failure?
	2. Please describe one or two failures, according to the definition in this study, in your business.
	3. Could you describe what impacts the failures have had on you personally?
	4. Could you describe what impacts the failures have had on your company?
2. What lessons, if any, have entrepreneurs learned from failures, as leaders of their companies?	5. As the leader of your company, how did those failures influence the way you have led yourself and your company?

(continued)

Research questions	Related interview questions
	6. What are some of the lessons that you have learned from those failures?
	7. How have those lessons influenced your leadership capability and growth?
3. How have entrepreneurs applied the lessons, if any, into their practice?	8. How have you applied those lessons to the ways that you conduct your business?
	9. What were the obstacles when applying the lessons and how have you overcome them?
	10. What were the outcomes or changes in your business after applying the lessons?
	11. What advice would you share with anyone who would like to become an entrepreneur in terms of how to deal with failures?
	12. Is there anything else that you would like to add?

Based on the data analysis, 22 significant statements were identified from the 12 interview questions. All the significant statements and the number of interviewee representations were manually counted and listed in Table 3.

Table 3

Significant Statements and Frequency From the Interview Questions

Interview questions	Significant statements	*n*
1. In your opinion, what comes to your mind when you think of failure?	Consider failure as falling short of personal and corporation goals.	8
2. Please describe any failures, according to the definition in this study, in your business?	Suffer a financial loss. Discontinuance of business relationships.	9 7
3. Could you describe what impacts the failures have had on you personally?	Trigger negative emotions. Loss of personal fortune.	9 7
4. Could you describe what impacts the failures have had on your company?	Company loses money. Retention of employees.	9 7
5. As the leader of your company, how did those failures influence the way you have led yourself and your company?	Take actions to prevent further damage caused by failure. Hire right people and treat them well.	8 7
6. What are some of the lessons that you have learned from those failures?	Gain more knowledge and skills on business management. Awareness of personal limitations. Lean more on a higher power.	9 7 6

(continued)

Interview questions	Significant statements	
7. How have those lessons influenced your leadership capability and growth?	Leader grows to demonstrate care, trust and respect. Leader grows to set a good role model.	9 7
8. How have you applied those lessons to the ways that you conduct your business?	Take actions to avoid making the same or similar mistakes in the future.	9
9. What were the obstacles when applying the lessons and how have you overcome them?	Accept personal weaknesses. Become adaptive to changes.	9 6
10. What were the outcomes or changes in your business after applying the lessons?	Owners have redefined corporate strategy. Company has met desired goals.	10 7
11. What advice would you share with anyone who would like to become an entrepreneur in terms of how to deal with failures?	Get prepared for failure. See failure as a forging process for success and learn from it.	7 7
12. Is there anything else that you would like to add?	Fear not failure and do not give up.	7

In the following paragraphs, findings from each interview question are presented in detail, along with quotes from the participants. These observations provided a basis for the significant statements. Interview Questions 1 to 4 were designed to answer Research Question 1, Interview Questions 5 to 7 were constructed to answer Research Question 2, and Interview Questions 8 to 12 were created to answer Research Question 3.

Interview Question 1. Interview Question 1 was as follows: In your opinion, what comes to your mind when you think of failure? The result of Interview Question 1 is in Figure 2.

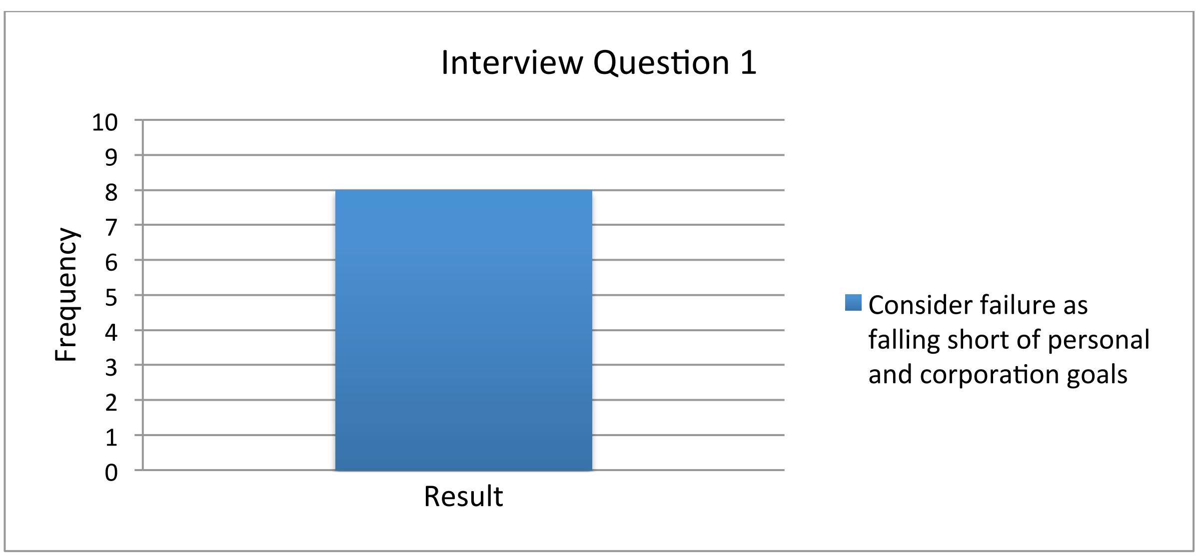

Figure 2. Results of Interview Question 1.

One significant statement emerged that eight out of 10 participants reported that they considered failure as falling short of personal and corporation goals. Some of the typical responses from these participants follow.

Participant 2 responded,

> To me, since I am in the retail business, I think failure is when I fall short on my monthly sale's goals. In more general terms, I would say failure is where I cannot meet my expectations in my business.

Participant 3 replied, "When I think of failure, I would define it as a situation when things turn to another direction that I cannot meet my expected goals. This would be unsuccessful to me." Participant 5 stated, "From a business point of view, I think failure can be a financial loss or damage in business relationship. In general, failure is the consequence of falling short on the desired goals or expectations." Participant 6 responded, "I consider failure is the experience where you fall short to your goals or expectations."

Participant 7 replied, "In my opinion, failure can include various incidents. If I cannot provide high quality service to my clients as I expected, then that is a failure." Participant 8 stated,

> I would say failure is not achieving your objectives or the goals. Think a little bit deeper, failure can be, at a personal level, something you desire but cannot obtain. In business, there is always a dream or desire that you may not be able to achieve it completely. You may achieve it partially, that can be considered as half success and half failure.

Participant 9 responded, "Changes that are opposite in a negative way from what a person expected or anticipated. Decisions one makes that affects the business negatively or opposite of what was hoped or planned for." Participant 10 stated,

> Failure is not accomplishing the goals that I have set out for my self. I typically have personal goals and as the CEO of my company, corporate goals too. If I establish a goal, typically using the SMART goal framework, I want to meet that goal. Anything falling short is failure.

Interview Question 2. Interview Question 2 was as follows: Please describe any failures, according to the definition in this study, in your business. The results for Interview Question 2 appear in Figure 3.

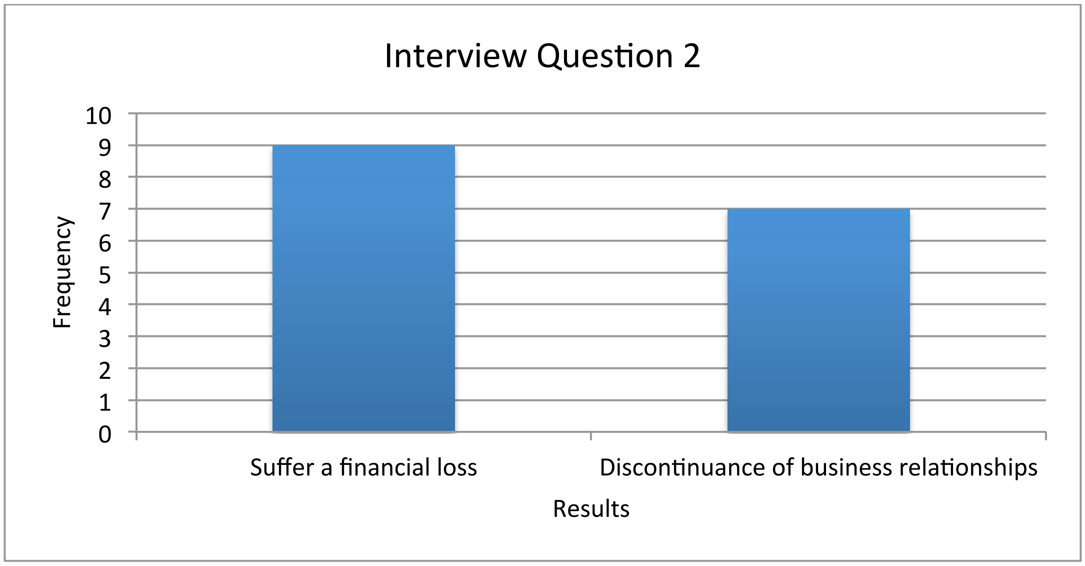

Figure 3. Results of Interview Question 2.

There were two significant statements for Interview Question 2. One of them was suffer a financial loss. Nine out of 10 participants reported that they had experienced a financial failure in their past venture experiences. Some of the typical comments from participants were as follows.

Participant 2 responded,

> I used to own four retail stores in different locations around Southern California, but now they are down to one. The closure of three stores had a huge impact on company's sales and profits as it lost considerable amount of income.

Participant 3 replied,

> I remembered one failure happened when my company tried to sell a newly developed sporting product. When I started this business, I thought this product got great potential and could be a great hit when it came to the market. So I spent a lot time to get the patent for it. At that time it didn't concern me too much that our investment would not be paid out. In fact, I believed that the product was way better than any other product in its category in the market at the time. It seemed that it was impossible to fail on sales when we brought it to the market. However, as it turned out, it was not a big hit and the sales of the product was a disaster. We lost a huge amount of money.

The other significant statement was discontinuance of business relationships. Seven out of 10 participants said they had experienced such failures. Participant 1 responded,

> I once made a mistake of hiring a wrong manager into my company. I allowed this person to be in charge of the most crucial team in the company. That was really a bad decision that I made in my career.

Participant 5 stated, “I used to partner with one who I should not trust much. We eventually broke up the business partnership.” Participant 8 replied, “The failure was actually personal-disunity, which is what I experienced. The reason why the practice did not work was due to the disagreements among all four founding partners of the practice.” Participant 9 responded,

> One was when we interviewed a Japanese man who had applied for a staff position via the phone rather than in person and we hired him without meeting him. When he came all the way from Japan with his family to begin working, I immediately knew that we had made a mistake. He was not the person for the position and we eventually had to fire him—a heartbreaking decision for both him and us.

Interview Question 3. Interview Question 3 was as follows: Could you describe what impacts the failures have had on you personally? The results of Interview Question 3 appear in Figure 4.

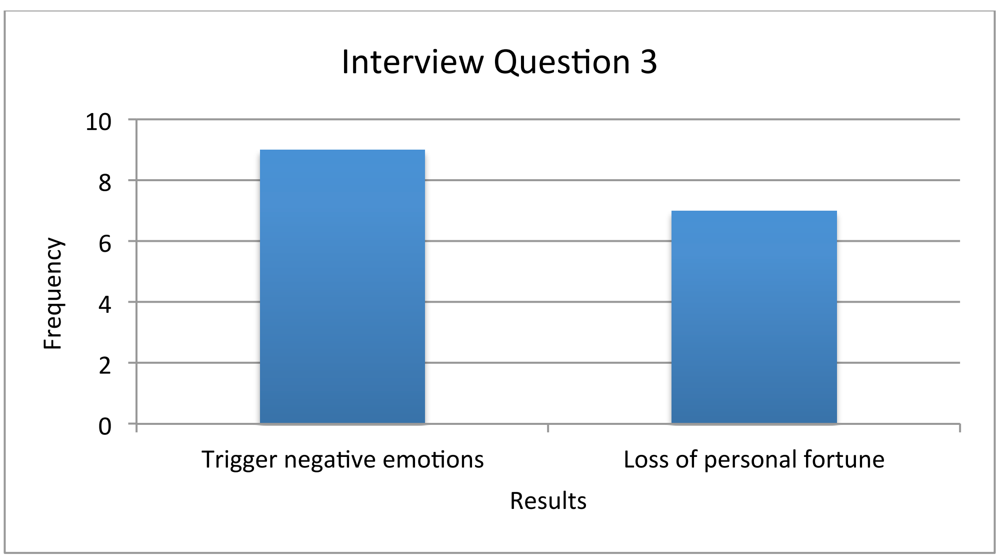

Figure 4. Results of Interview Question 3.

The most significant effect of failure on entrepreneurs on a personal level is it can trigger negative emotions. Nine out of 10 participants reflected that they were affected by various kinds of negative emotions when they failed. Participant 1 stated, “At the moment I failed, I did feel annoyed and stressed about what had happened.” Other participants expressed similar feelings.

Participant 2 stated,

> In failure, I felt a strong sense of loss of control on things. Failure can affect my emotions. I can be in a bad emotion for several days when feeling failed. When I was in a bad mood, it affected people around me, and I could be harsh on them. I was greatly disappointed about myself when I failed.

Participant 3 replied,

> I tried to learn from mistakes and not dwell on them too much, but at times it get depressing and a toll on you. For one month as I remembered, we have sold nothing at all. At the time, we got bills to pay as well as employees’ salaries. It was a very tough time. Due to the financial shortage, I felt a lot of pressure of running my business. I started to worry deeply about what would happen if nothing gets improved.

Participant 5 responded,

> I was in my 40s when I first started my company. When failures suddenly struck me, I felt deeply helpless. You know at age 40 plus, it was not ideal for me to go back for job-hunting. It can be really hard to get a job. I used to have a lot of confidence about myself but at that time I lost quite some. I felt extremely exhausted and held an extremely negative view on my enterprise as well as my life in general.

Participant 6 replied,

> I felt very disappointed about the situation as well as myself when I failed. It was quite discouraging at the time. You did feel those negative emotions, which had controlled some part of you mind. You became worried about a lot of things everyday when you woke up. It was really hard to not think in that way when you had a strong feeling of uncertainty about the future.

Another significant personal impact of failure on entrepreneurs was the loss of personal fortune. Seven out of 10 participants noted that they had suffered the loss of a certain amount of personal savings when they failed in their business. Sometimes the amount of personal assets can be huge. Some of the statements from the participants illustrate this point.

Participant 1 stated, "In order to prevent further loss and the worst possible scenario that my company may go bankrupt, I was forced to liquidate my personal assets to help company to get back on its feet." Participant 3 replied,

> One of the direct impacts is, of course, we lost a lot of money investment. We put a considerable amount of family fund to promote our sporting goods. However, the sale was really bad and we got lots of goods sitting in the warehouse. The monthly rent for the warehouse was quite expensive which made the situation even worse.

Participant 5 responded, "The failure cost me 20 years of savings from previous jobs. Many suppliers chased after me, so I had no choice but took all my personal savings from bank and to pay the suppliers." Participant 6 stated,

> As I remember, during that time when I had my first failure, the store had experienced a period of very tight cash flows. It went to a point where we could not afford the bills anymore. We didn't want to borrow any loan from banks and decided to sell some of my jewelry collections for cash.

Participant 8 replied,

> In my first failure, because of the disunity among partners, I ended up having to leave the company that I founded. I left without asking any financial or any kind of legal rights from the group. I just basically gave up my shares to other remaining partners.

Interview Question 4. Interview Question 4 was as follows: Could you describe what impacts the failures have had on your company? The results of this question appear in Figure 5.

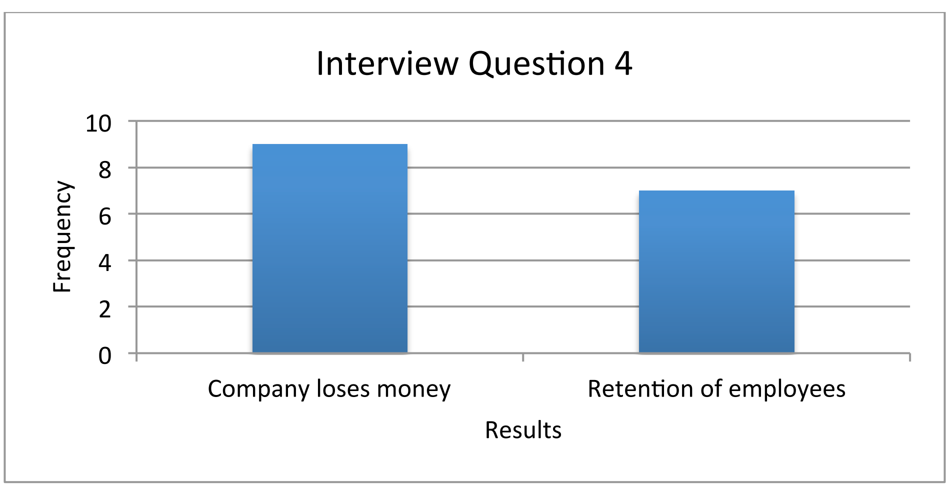

Figure 5. Results of Interview Question 4.

With regard to the impacts of failure on the companies that the participants had managed, the focus of the responses was two major impacts. The first was that failure caused the company to lose money. Nine out of 10 participants noted that their company had suffered financial losses as a direct impact of failure. Some of their responses to demonstrate this point were as follows.

Participant 3 stated,

> We lost substantial amount of money and ended up not staying in the sporting goods business. My husband went for a normal day job with his electrical engineering degree while I kept the business going, but on a much smaller scale.

Participant 4 responded,

> However, the good time did not last long. As the real estate bubble burst, so the investment my company had put into the real estate market had gone down the drain. For months, we couldn't sell any properties that we financed for the construction. It came to a point where we had no choice but sold the properties at the price far lower than its cost. It created a huge deficit on the company's finances as we lost a considerable amount of capital in the process.

Participant 6 replied,

> The lawsuit we had gone through was costly. We spent much hiring a good lawyer that we think can help us come out of the mess. In the end, we still had to pay a large sum of money to the prosecutor in order to reach the final settlement between the two parties.

Participant 7 stated,

> At the time, I wasn't ready for the sudden change. The practice needed to relocate within a very short period of time and I didn't have enough time to inform every patient about the relocation. As the result, we lost many of them especially the walking in patients, almost 30% of our patient base. Shrinking in our clients' volume had a direct impact on practice's finance. Consequently, our cash flow needed better management due to the decrease in revenue.

Another important impact of failure on the companies run by entrepreneurs was the retention of employees. Seven out of 10 participants stated that failure affected employee retention. A shortage in companies' cash flow can cause entrepreneurs to downsize their company as a way of reducing costs. It also affects the level of compensation packages for employees. As a result, the retention of employees decreased. Some of the participants' responses representing this statement follow.

Participant 2 stated,

> When some of my stores got shut down, I had to let go some of my employees. Even though I tried my best to keep them, the money shortage limited my ability to do so. Many of them had worked years for me, so it was definitely not a good experience when you had no choice but lay-offs.

Participant 4 replied,

> Well, my company had to downsize to lower expenses. We started to watch closely our spending and tried to save every penny as much as we possibly could. I let go some of my employees and freeze on hiring for quite some time.

Participant 5 responded, "My company was in a situation where we almost ran out of cash. Because of the financial hardship, I had to lay off most of my employees and only kept one employee to help me to maintain daily operations." Participant 10 stated,

> In some years, we didn't make revenue projections, which can affect everyone's personal compensation including mine. It turned out, some of our employees chose to leave the company because of the salary we can gave them did not match their expectations.

Themes for Research Question 1. The findings from Interview Questions 1 to 4 helped to reveal the themes that answered Research Question 1 on the impacts of failures on entrepreneurs. Based on the seven significant statements identified above, three themes about the impact of failure emerged: impact on finance, impact on relationship, and impact on emotion.

Impact on finance. Failure is costly in terms of finance. The financial impact of failure has two levels: the personal level and the company level. On a personal level, failure can lead to a reduction in personal fortunes. As shown in the results of Interview Question 3, some of the entrepreneurs had to give up a considerable amount of personal savings so their company could survive. At the company level, the failure can be translated into inevitable financial losses. Based on the results from Interview Question 4, some entrepreneurs have reported that failure can cause a decline in their revenues and create financial deficits and cash flow drains.

Impact on relationship. The connections between entrepreneurs and their employees or their partners can be damaged because of failure. Several participants reported in their responses to Interview Question 4 that failures affect employee retention. The financial impact of failure can cause a chain effect in which entrepreneurs have to downsize their workforce to decrease costs and increase savings. In this process, layoffs become inevitable. Some cases have shown partnerships were damaged because of failure. Participant 5 reported that failure had damaged his friendship with his partners in two different start-ups. Similar experiences also were reflected in Participant 8's descriptions where he had to break up with his three other partners in his first start-up because of disunity among all partners and the relationship was never reconciled.

Impact on emotion. It is hard not to have negative emotions when encountering failure. Nine out of 10 participants admitted that different kinds of negative emotions were triggered during the time they their business ventures were failing. For example, Participant 1 stated that he felt bitterness and regret when he failed. Participant 2 pointed out that he sensed a loss of control and strong disappointment when failure occurred. Participants also reported other kinds of negative emotions including feeling depressed, helpless, exhausted, discouraged, hurt, and worried about the future.

Interview Question 5. Interview Question 5 was as follows: As the leader of your company, how did those failures influence the way you have led yourself and your company? The results of this question are presented in Figure 6.

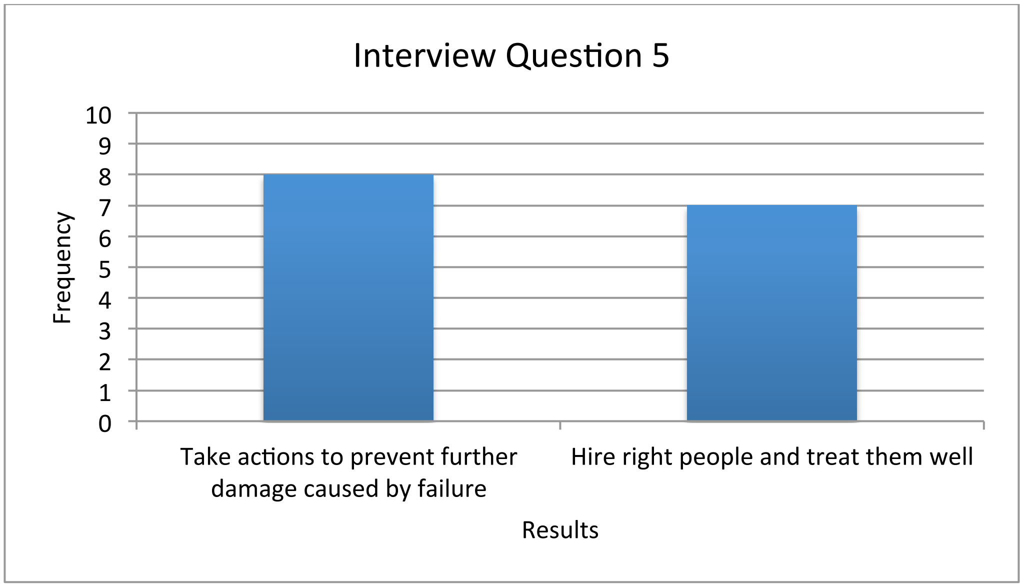

Figure 6. Results of Interview Question 5.

The results showed that as the leaders of the company, entrepreneurs did make some adjustments in the way they led after they were affected by failures. One of the adjustments involved taking action to prevent further damage caused by failure. In difficult times such as during failures, it is important for leaders to identify the problems and be able to take actions to prevent the further losses. Eight out of 10 participants said they took necessary actions to fix the mistakes that caused their failures. Participants' comments that illustrated this point follow.

Participant 1 stated,

> So in my case, I hired this person because she got a star resume and I thought she was definitely the right person for the job. However, as it later showed, she was not. The decision of hiring her eventually caused my company to lose substantially. The project was not profitable at all because of the mismanagement. To prevent the further damages, I fired her.

Participant 3 replied,

> I tried all I could to prevent more money loss from the dead inventories we have bought. Though selling them was not an easy task because of the high competition within the market. But in order to survive, you have to take some actions to make some changes and get the problem fixed. I tried to use different ways to sell our sporting goods. At the same time, I always looked for opportunities to move forward; through other acquaintances I

> found other products that we could get involved in with less initial investment, from those we were able to keep going.

Participant 5 responded,

> From what I have experienced and based on my own understanding about being a leader, I think I was quite like a firefighter during the time I failed in my business. I said this because at the time, the company's finance was in a very bad condition. It was like it got on fire. As the leader of the company, I took actions quickly in order to find ways to extinguish the flame and save the company as well as myself.

The other adjustment regarding leadership was to hire the right people and treat them well. Seven out of 10 participants reported that the failure reminded them of the importance of hiring the right people and that the way they treat their employee can affect their working efficiency. Some examples from participants' answers were as follows.

Participant 1 stated,

> As an entrepreneur for years, I think people are always the key factor for my business success. When you have the right people for the right position, the issues you can possibly encounter in your daily business operations can be easily solved. On the other hand, hiring wrong people will significantly affect the efficiency of the company and sometimes even cause fatal mistake that will utterly damage the company.

Participant 2 replied,

> I treated my employee as family, which foster a strong emotional bondage when things get tough. During the last relocation of my store, some of my employees said they want to still work for me even it will means that they have to drive a longer distance and may get a pay cut. I had a big appreciation of the sacrifice and efforts they have made in order to keep the store running.

Participant 4 responded,

> Well, I think as the leader, failure taught you some lessons in leadership. It is important that you hire good people in your company. For good, I do not only mean they have to have adequate skills but also certain qualities in their characters. You have to set clear rules to your followers. You have to respect and care about your employee since it could affect their loyalties and work efficiencies. I spent time to know their family and their struggles. When they were in trouble, I helped them as much as I could. Employees do remember how you treat them, and when you are in trouble, they will not hesitate to lend a hand to you.

Participant 7 stated,

> I think failure taught me to hold a more realistic perspective on treating people. I feel that as the leader, you should not lose your kindness and respect to people. Leaders should be flexible when dealing with people. Reputation is always important in doing business. You have to earn respect from people. You need to give them more grace when they have made mistakes. After all, I made mistakes too that's why I failed.

Interview Question 6. Interview Question 6 was as follows: What are some of the lessons that you have learned from those failures? The results of this question appear in Figure 7.

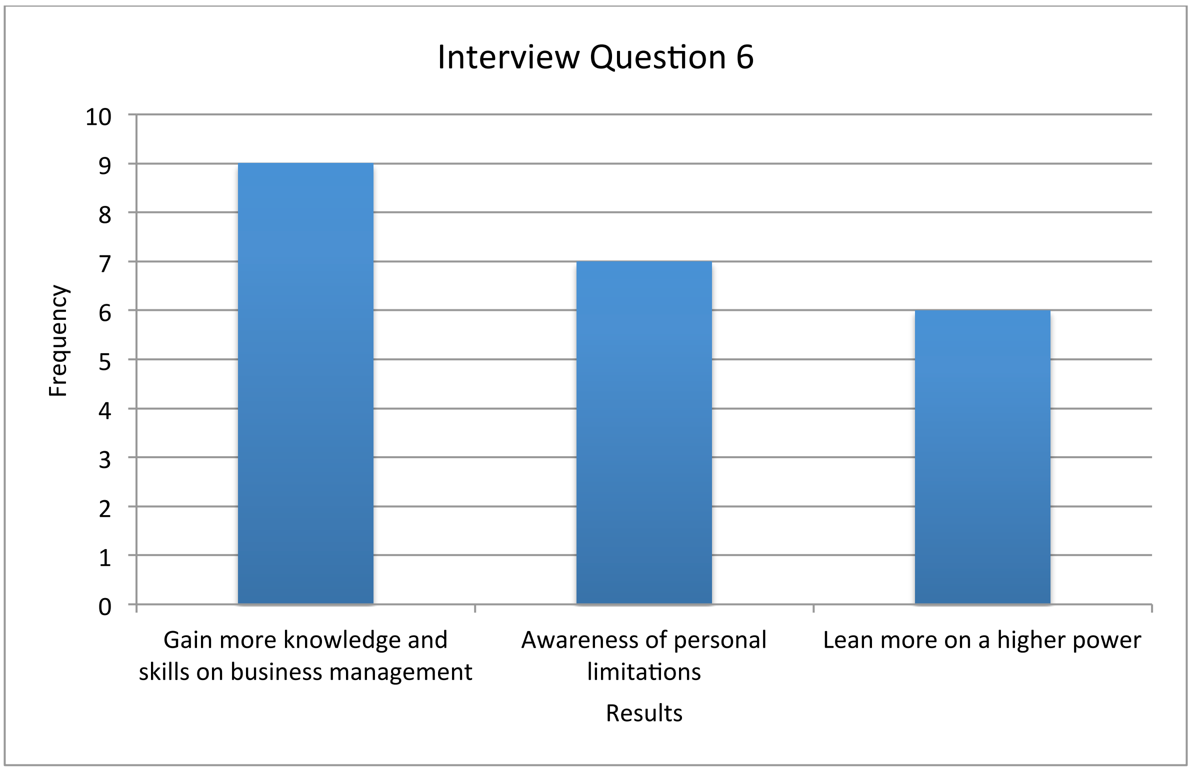

Figure 7. Results of Interview Question 6.

All 10 participants described major lessons learned from failure. One of the important lessons that entrepreneurs learned from their failure was to gain more knowledge and skills on business management. Nine out of 10 participants reported that failures taught them how to manage their business more wisely. Some of the comments from participants were as follows.

Participant 1 stated,

> I know more about how to manage my finance well after I failed several times. Again, I would tend to have enough cash at hand in case of any bad things happened. I tend to more like to play safe and conservative of my investment. So I really pay attention to the capital and avoid spending it easily even when I have plenty of it.

Participant 4 replied,

> Personally, I have a new perspective about money and the way to manage them. I became more respectful for money. Since every penny was earned from hard work. So you become more careful about how you spend and invest your money. I don't spend as much as before and tried all my efforts to save more.

Participant 5 responded,

> From the management standpoint, I did poorly in my finance management, which is also where I learned most from my own failures. In my first failure, I failed to foresee the potential risk. In fact, if I pay attention to my financial report and payment trend record, I would quickly know that something had gone horribly wrong. At that time, I didn't have a well-established financial management system. My client had delayed several payments but I did not even notice it because I did not keep track of company's cash flows. At a personal level, I think I used to spent very unwisely on things that is just what I want not what I need. Nowadays, I take financial management much more seriously. I think this is the most important part of running business successfully.

Participant 6 stated,

> The failures help me to develop and improve my money management skills. You start to save more when in a good time as a preparation for the bad times. I became more conservative on spending money and always try to find ways of make good investment to increase our incomes.

Participant 7 replied,

> I also gained more understanding on how to market my business more effectively. I learned the power of Internet marking, and how can I use it as a way of branding my practice and connecting with my potential clients. I created Yelp account for my practice, you know, people do judge your business based on the reviews you have received on Yelp page.

Participant 9 responded,

> I took a course in how to hire and fire employees or staff persons and learned a lot which greatly affected our decision in hiring and firing in the future. I learned that you hire slowly and fire quickly. One should never hire a staff person without having several references, several interviews—a thorough investigation into any future employees or staff persons.

Another important lesson was the awareness of personal limitations. Seven participants stated that failure provide them the opportunity to realize their own limitations. The following answers from participants demonstrate this point.

Participant 3 stated,

> For me failure cured me of my overly naïve optimism – you get a broader view of what you're getting yourself into. That been said, I have some understanding of the limits of my abilities. That helps me to make better decision and better use of the resources I have.

Participant 4 replied,

> You get to know yourself better and you won't over-estimate your abilities. Now you know your real limitations. You start to realize there is something that you cannot achieve. You became more realistic about your business and yourself. Your judgment became more accurate as you know who you are and what your company can do.

Participant 5 responded,

> Failure is a test; it will change your perspective on life. In my view, I think failure gave a chance to me to see how limited I am. I used to be very confident in my own ability of doing business. Thinking that I can achieve great things. But the failures that I later encountered awaked me that I realized I overlooked things I cannot do because of the overconfidence. It provides me a perspective to hold a more realistic view about myself.

Participant 8 stated,

> As a medical practitioner, you have been trained to being meticulousness and being very controlling and demanding. It is good sometimes these characters can ensure you to provide a high quality service to your patients. However, it is also a double-edged sword. When in a partnership these characters can destroy the relationship among partners because you can be very result driven and overlook their needs. It is the failure that made me realize and understand the limitations of my character.

The third important lesson participating entrepreneurs learned from their failures was to lean more on a higher power in a difficult time. Six out of 10 participants reported that their faith was enhanced from failures, and they knew the benefits of seeking spiritual support when undergoing challenges. Some examples from the participants follow.

Participant 1 replied,

> I did feel pressure when trying to fix the problems that caused by my manager. I did pray to God a lot for asking help. God listened to my prayers and pulled me out of that struggle. I felt I got close to God because of these failures.

Participant 3 responded,

> Even though I failed but I didn't feel I get defeated completely. I think this is because I have faith, so I always have hope that God will provide me and guide me to turn around the situation from bad to good. During that time, I prayed a lot and I think it did work in many occasions. I learned from my failures that faith became my life's very foundation. It makes me worry no more even in a challenging time.

Participant 5 stated,

> From failure, I learned that nothing is the end of the world. Failure taught me to see things from different perspectives especially from God's perspective. I did pray a lot in those difficult days, and God answered my prayers and spared me from a possibly worse situation. I think you need to have faith, especially when facing the giants in your life.

Participant 7 stated,

> On the positive side, from my failure experience, I learned to trust God more. Knowing Him always in control even in the horrible times is really a comfort for me. Failures made me realize that you have to lean more on God when in a hard time.

Interview Question 7. Interview Question 7 was as follows: How have those lessons influenced your leadership capability and growth? The results of this question are in Figure 8.

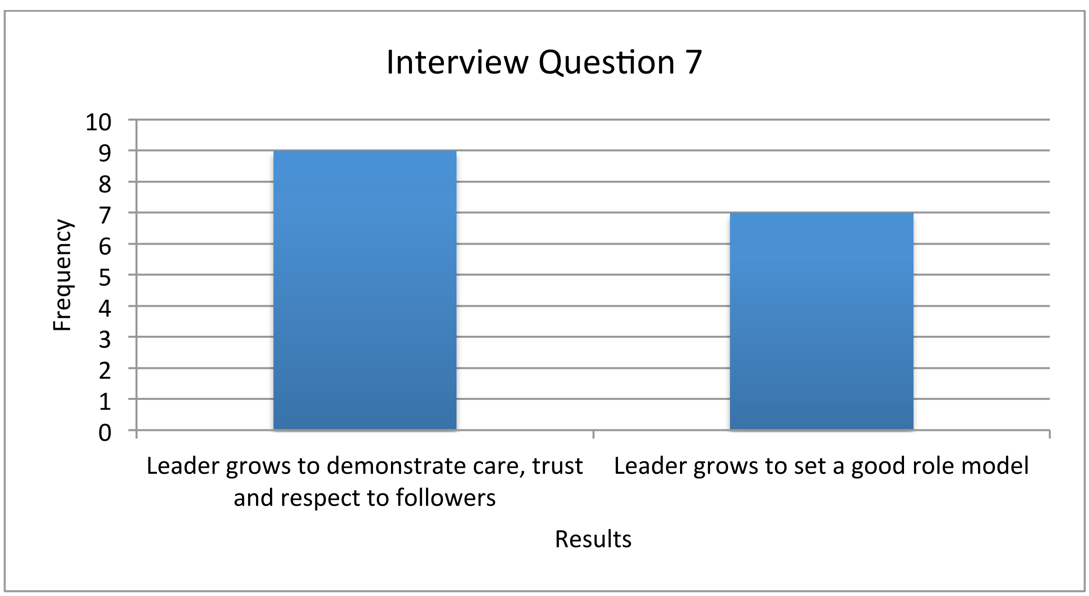

Figure 8. Results of Interview Question 7.

There were two leadership impacts of the lessons learned from failures. The first was that the leader grows to demonstrate care, trust, and respect to followers. Nine out of 10 participants mentioned that as the leader, they learned to show care and respect to employees. Some of the particular comments from participants were as follows.

Participant 1 replied,

> As the leader, I think from failures I became more aware of my own pride. I learned to treat people more sincerely and honestly. I think the way you have treated the others affects the ways they want to respond to you.

Participant 2 stated,

> I learned that being a leader you have to trust your followers more. I became a leader who trusts my employees 100%. I tried to create a working environment where my employees can have a family feeling while they work. I care for my employees from the bottom of my heart. Sometimes I even buy lunch for them. I believe that the effort you have put into caring your employees will improve their job engagement and efficiencies.

Participant 5 replied,

> I think failures remind me that as the leader I need to treat my employees well with more respect and care. Failure let me understand that I have my limitations too. So I have to be more relying on others to help me to build the business. I need to keep the talents. Moreover, knowing my limitations reminds me that no one is perfect. I learned to respect the differences among my employees and showed care to them. As my financial management skills improved, I applied profit share in in the company and paid my employee more than fair so people know that I took their hard work seriously and showed my appreciation.

Another leadership capability was that entrepreneurs served as a role model for their employees. Seven out of 10 participants reported that they realized the importance of being a role model to their employees. Some of the participants' comments were as follows.

Participant 2 responded,

> Failure did let me see how important it is: as the leader you have to set good role model to your followers. You cannot expect your followers to do things that you don't want to do it yourself. Every time when I want my employees to achieve something, I think leaders are the ones who always walk in front of their followers not stay behind them.

Participant 6 stated,

> From failure, I trust more and more in God. And my faith in turn affects how I treat my employees. I tell them to be honest to others. If they want people treat them well they have to treat others well too. I told them that they have to set a higher standard for customer services. What I command my employee to achieve, I usually do it myself first so I can set a role model to them.

Participant 8 replied,

> I think you have to notice that changes, especially those long-term ones need time to make full impact. You have to be patient. Of course, as the leader, you have to take initiatives in every changing situation. After all, actions speak louder than words.

Participant 10 responded,

> I believe failure makes me a better leader. I am not perfect; I have flaws. Picking yourself up after failure and being willing to tackle more problems is important. And it helps me work with my staff to do the same.

Themes for Research Question 2. The focus for Research Question 2 was identifying lessons that the entrepreneurs had learned from their failures. To answer this question, three interview questions were designed: Interview Questions 5, 6, and 7. As noted in the previous section, seven significant statements were identified. Based on these seven statements, two themes emerged that helped to answer Research Question 2. The first theme was increased awareness of personal limitations and increased knowledge on business management. The other theme was leading change by setting an example and showing care to employees.

Gaining knowledge in business management, increasing awareness of personal limitations, and enhancing faith. One of the direct learning outcomes that the entrepreneurs gained from their failure was knowledge on managing their business. Failure provided a chance for entrepreneurs to identify their inadequacies in certain areas. Some participants mentioned that they learned how to manage finances in business operations. Other business-related knowledge gained from failure includes having a better understanding of marketing products, gaining more knowledge on managing staff, and knowing how to set better goals for business.

Another important lesson that the entrepreneurs learned from their failure was that they became aware of their personal limitations. While pursuing their business dream, entrepreneurs can be ambitious about what they want to achieve. It is hard to say that dreams and ambitions do not build great entrepreneurs. However, dreams and ambitions can also cause entrepreneurs to overestimate themselves and make unrealistic goals. As mentioned in the responses to Interview Question 6, some entrepreneurs reported that their naïveté and overconfidence about business led them to misinterpret business realities when their failures were inevitable. Because of the failures, they started to realize their own shortcomings and disadvantages. Failures help entrepreneurs to build more realistic and comprehensive views about themselves. In addition, the awareness of self-limitations from the failures helped some entrepreneurs enhance their faith. Some of the participants reported that although they see their own limitations, they also see the providence from God. The failures drew them closer to the core of their faith.

Leading changes by setting an example and showing care to employees. Another important lesson that the entrepreneurs acquired from their failure experiences was about leadership. To entrepreneurs, failures can indicate the need for improvement or change. Whether an initiation of change would be successful and supported by employees depends on entrepreneurs' leadership capabilities and skills. The entrepreneurs noted they would make necessary changes and adjustments in the way they conducted business. The findings from Interview Questions 5 and 7 indicated that these changes require owners to set a good example for their followers. For instance, many participants mentioned that if they wanted their employees to do something, they must do it first. This is an effective form of demonstration to the followers of what can be done and how to do it. When executing changes, leaders also need to demonstrate they care for their followers. The caring, trust, and respect from leaders can enhance the loyalty and engagement of their employees. It creates a strong bond between leaders and their followers.

Interview Question 8. Interview Question 8 was as follows: How have you applied those lessons to the ways that you conduct your business? The results of this question appear in Figure 9.

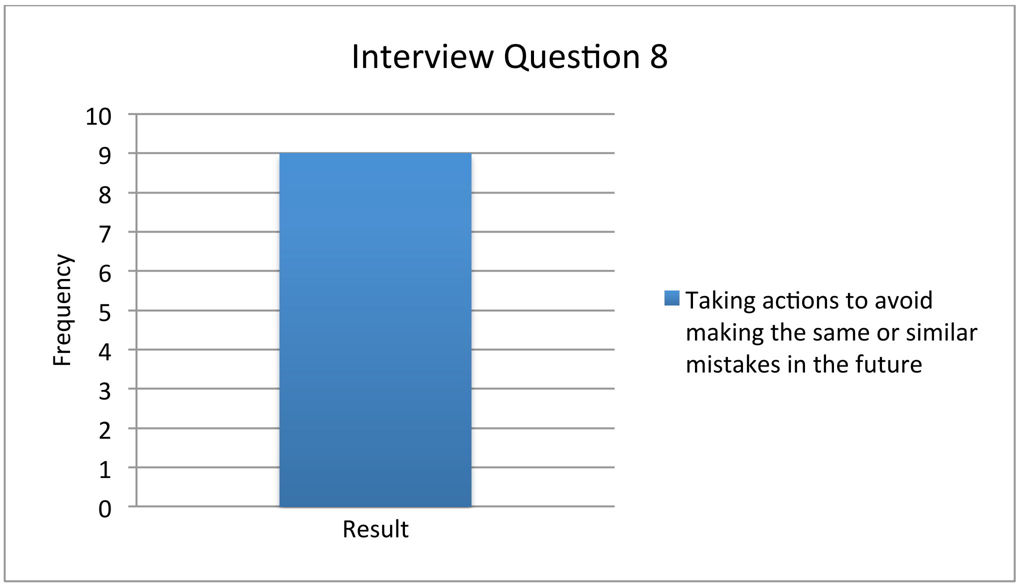

Figure 9. Results of Interview Question 8.

Entrepreneurs are doers. They will not hesitate to take action when they see something they can improve. Nine out of 10 participants noted that they applied the lessons they learned from failure through taking action to avoid making the same or similar mistakes in the future. The following comments from the participants illustrate this point.

Participant 2 stated,

> As for me, when I spot what I have done wrong, I would force myself to think of solutions and take actions to fix the problems as soon as I could. You have to adjust quickly especially in an ever changing business environment. You won't wait and do nothing when you fail. Instead, you apply lessons from your failures immediately into

> your daily practices because you want to improve the situation so badly and don't want to repeat the same mistakes again.

Participant 3 replied,

> Basically, I would reflect on what I learned from failure and directly practice solutions. Because you want to avoid making similar mistakes, so you quickly find the ways to improve the quality of either your services or products. After failure, I made three principles. Number 1: never take the dead inventories. Number 2: implement adequate marketing research before buying any product. And Number 3: maximize the profit margin for every product we sell.

Participant 6 responded,

> I think you just practice more and accumulate more experiences. After all, you don't want to see yourself getting into the same mistakes again. So you learned and constantly improved. You keep learning different things and find the best way to communicate with different customers. I think it takes time but eventually you advanced from a rooky business owner to a veteran.

Interview Question 9. Interview Question 9 was as follows: What were the obstacles when applying the lessons and how have you overcome them? The results of this question are in Figure 10.

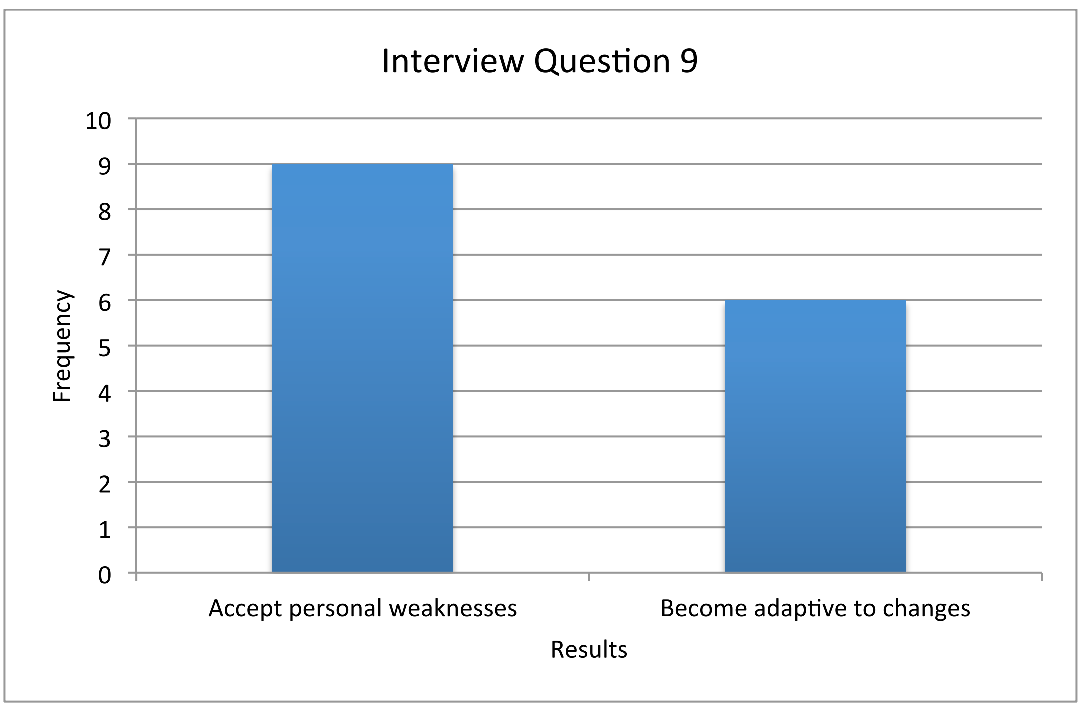

Figure 10. Results of Interview Question 9.

The data showed that the most challenging obstacle that entrepreneurs faced when applying the lessons learned from their failure into practice was accepting personal weaknesses. Nine out of 10 participants reported this. Some selected answers from participants follow.

Participant 1 stated,

> I think the obstacle is to accept personal limits. The failures I have gone through made me see clearly the limitations existed in my personality. For example, I used to prefer getting things done quickly. I think quickly and act quickly. However, failures remind me that sometimes being quick is not always good. I hired wrong people because I made the decision too quickly without further consideration. Accepting my shortcomings was not an easy task but that was what I wanted to improve badly at the time.

Participant 8 replied,

> In my opinion, my preference of not confronting had contributed some failures. I was a person who doesn't really want to confront with conflicts among people. This was especially true when I spotted the conflicts among my partners in the first venture but chose to ignore the situation. The breakup of partnership forced me to face this trait of mine.

Participant 9 responded,

> One weakness I see in myself lies in my tendency of trying to meet everyone's needs. For example, if a customer demands our service, I would go overboard to help him or her even if it means to sacrifice my family or personal time. I have had to overcome the feeling of guilt to say "no" to some clients and to reject their applications into our program. I have learned to use tougher love even if it meant turning clients down. Through many incidents, I slowly but eventually have acknowledged this weakness.

To overcome personal weaknesses, six out of 10 participants reported that they had become adaptive to change. The following are some of the participants' answers.

Participant 2 stated,

> It is difficult to become adaptive to the situations. Since you are already used to the ways you do things. It really takes great effort to make changes in yourself. But it all starts from the willingness of whether you want to step out of your comfort zone.

Participant 6 replied,

> Once I realized that I could be stubborn in my usual ways of conducting business, I started thinking of different solutions for different scenarios. I learned that sometimes I just need to think outside the box and take creative approaches for problems.

Participant 8 responded,

> To overcome your own limitations, you need to make adjustments constantly according to what you're facing. For example, I had to tell myself to confront with partners or employees when necessary. Even deep inside I tend not to do so, I had to "play the role," especially in a tough decision.

Interview Question 10. Interview Question 10 was as follows: What were the outcomes or changes in your business after applying the lessons? The results of this question are in Figure 11.

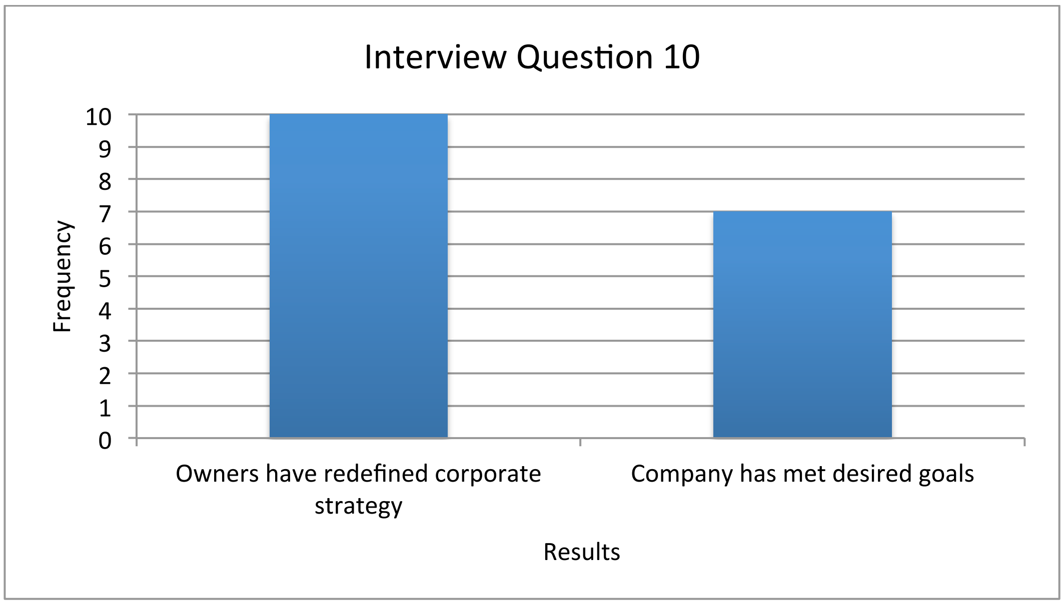

Figure 11. Results of Interview Question 10.

Positive outcomes can be generated after entrepreneurs have applied what they have learned from their failure into their practices. All 10 participants indicated they had redefined the corporate strategy in their companies. Some examples of comments from participants follow.

Participant 3 stated,

> I am more aware of what I do affects the bottom line. We were better prepared- after deciding on the strategy of expansion through store acquisitions. This past year we were

> able to purchase a business that operates in downtown LA fairly quickly. This time the purchase is easier for us; as owners with my husband, we now focused on the approach that could really help our business grow.

Participant 5 replied,

> The lessons that I have learned from my failures inspired me to redefine the vision of the company. Before failure, our vision was not very clear and all I wanted was to maximize the profits. I learned to clarify and refocus our vision to provide high quality product as well.

Participant 10 responded, "I have gotten better as setting goals accordingly to realistic strategies. I hear a lot of people talk about setting realistic expectations. I am OK with that as long as realistic is not intended to represent easy or nonaggressive."

Another outcome is that the company has met its desired goals after applying lessons from failure. Seven out of 10 participants have reported this. Comments from the participants follow.

Participant 4 stated, "One thing for sure is that as I learned these lessons from my failure experiences, I made the necessary changes to fix the problems in order to survive, which was the sole goal for us at the time." Participant 9 replied,

> We have not had to fire anyone since that one experience. Our retiring staff now has better financial packages and benefits. By saying "no" to problem clients, we have a better quality of students. This has met our goals to recruit quality students as well as the right employees.

Participant 10 responded, "We see more consistent growth and meeting goals. Not every single quarter or every single year. But we've met our quarterly goals 3 out of 4 quarters pretty consistently over the last 5 years."

Interview Question 11. Interview Question 11 was as follows: What advice would you share with anyone who would like to become an entrepreneur in terms of how to deal with failures? The results appear in Figure 12.

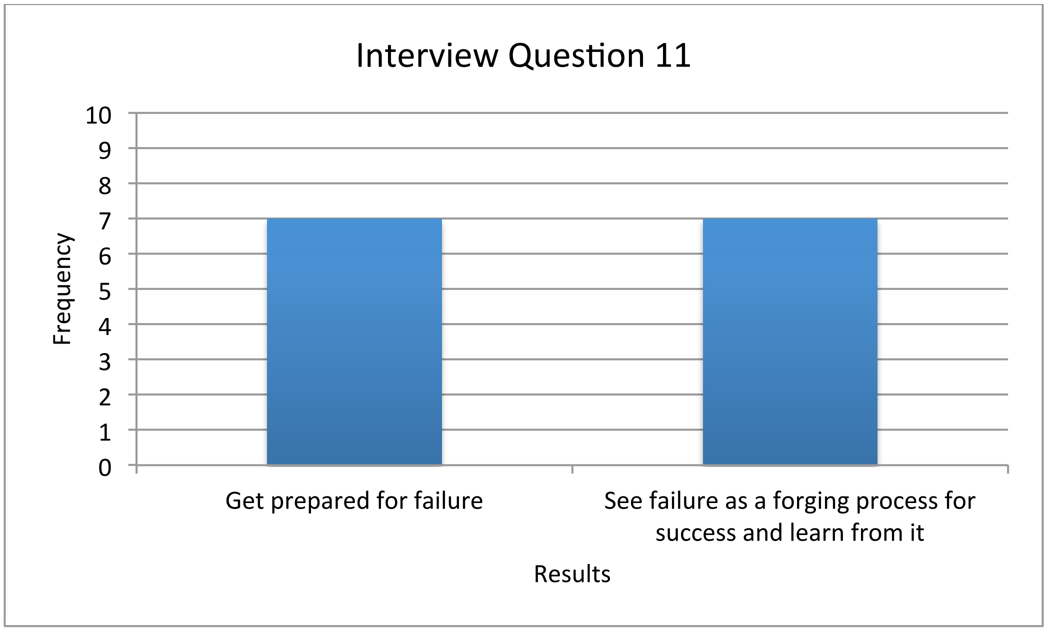

Figure 12. Results of Interview Question 11.

Two primary pieces of advice emerged from participants' answers. The first was to prepare for failure. Seven out of 10 participants said it is important to prepare for failure when starting a business. Some of the comments from the seven participants follow.

Participant 1 stated, "Always prepare for the worst. Always have money reserve (cash) for any financial crisis. Maintain good credit; bankruptcy can be fatal in a long run for business where you cannot easily borrow any money from the bank." Participant 3 replied,

> You have to be prepared for the worst. There is always risk in every business. Before you start a company, you have to ask yourself, if the product or service does not sell well, am I able to afford the possible losses.

Participant 5 responded,

> Prepare for failures. If this is your first time to start a business, you'd better have a lot of preparations. Make sure you prepare for failures and prepare well, so you could minimize the impact to you and your family.

Participant 7 stated, "You have to be prepared for the possibilities that you will fail somehow along the way. It would be better that before you start your own practice, you have obtained some years of working experiences in any industry."

Other advice was to see failure as a forging process for success and to learn from it. Seven out of 10 participants gave this advice when they answered this question. Some of the typical comments from the participants follow.

Participant 5 replied,

> It is easy to fail as an entrepreneur, but I think failure is a forging process. It is quite similar to the process of forging the steel from iron. You have to go through high pressure and heat. But after that you become stronger as steel. Your life experiences, including your business experiences, are not completed without failures. I haven't yet met one business friend who has never failed. Failure is almost guaranteed in entrepreneurs' life.

Participant 9 responded,

> Learn from your failures! Find out what caused the failures and change the things that have a negative effect on the business. If we learn through our failures, we can have a positive influence for the business in the future. Work as a team and listen to the advice of your team members. Don't be defensive but learn from criticism. Don't be discouraged or give up but after the failure, pick yourself up and become even stronger than before.

Participant 10 stated,

> If you don't fail on occasion, you may not be trying hard enough. Learn from your own mistakes, as well as the mistakes of others. Surround yourself with good people, not just to help you execute but to identify your blind spots and do things better that you cannot do yourself.

Interview Question 12. Interview Question 12 was as follows: Is there anything else that you would like to add? As the final interview question, Question 12 was designed to allow participants to share additional comments or thoughts about their experiences of failures, if they had any. The results of this question are in Figure 13.

Seven out of 10 participants said do not fear failure and do not give up. Some examples of the comments from the seven participants follow.

Participant 3 replied,

> Facing failure, you have to have confidence in yourself and fear it not. You have to hold a positive attitude toward failure and seek new opportunities from it. Don't think too

> much about what you have lost, but focus on things you can improve. Don't settle but keep making progress.

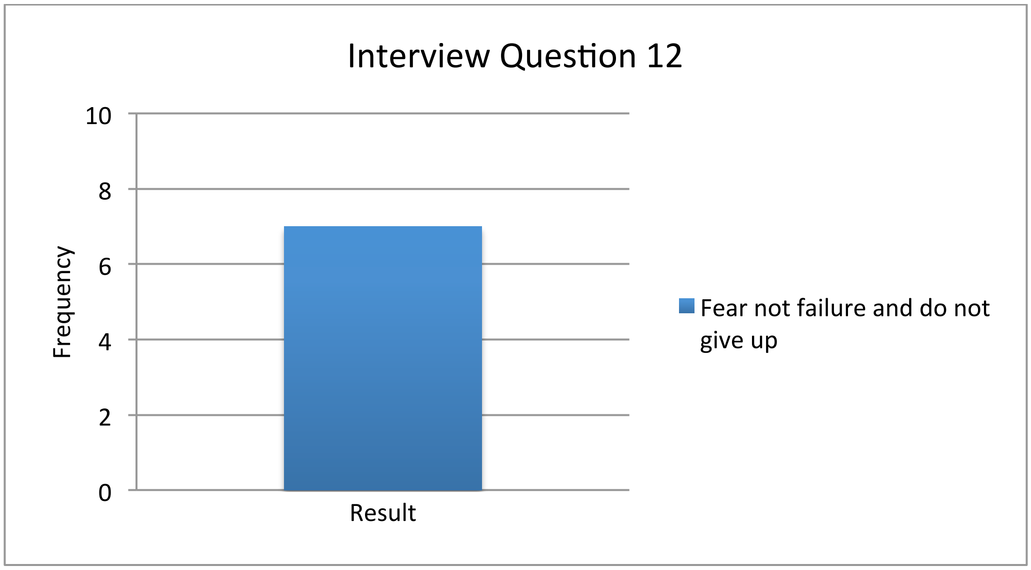

Figure 13. Results of Interview Question 12.

Participant 4 responded, "You do grow from failures. The more you fail, the more you become used to failure. So I think overall, entrepreneurs should not be afraid of making mistakes. Truth is, it is failure that makes true entrepreneurs." Participant 5 stated,

> Don't lose hope when failure comes. It's a tough process to recover from failure. You have to deal with it yourself if you want to be entrepreneur. But fear not and don't give up your vision easily when you are in tribulations.

Participant 6 replied, "Don't be afraid of making mistakes. Stay positive and optimistic during the hard times. Never easily give up. Try all you can to make the situation better."

Themes for Research Question 3. Following the response to Research Question 2, which included the lessons that the entrepreneurs learned from their failure experiences, the focus of Research Question 3 was how entrepreneurs have applied what they learned from failure into business practices. Interview Question 8 to 12 were designed to answer Research Question 3. Eight significant statements were identified based on the interview data collected from all participants. Based on the eight statements, two themes about how the entrepreneurs applied lessons from their failures into practice emerged to answer Research Question 3. The first theme was taking action to avoid making similar mistakes in the future. The second theme was accepting personal weaknesses and becoming adaptive to changes.

Taking actions to prevent from making similar mistakes in the future. As mentioned in Interview Question 8, entrepreneurs are doers. They prefer taking actions as soon as they identify the reason for their failures to fix their mistakes. The majority of participants mentioned that they applied the lessons they learned directly into their daily practices. They would come up with solutions through reflections and apply the solutions immediately, whether in communications or sales forecasts, so they would not make similar mistakes in the future.

Accepting personal weaknesses and becoming adaptive to changes. Although entrepreneurs take a straightforward approach to applying lessons to their practice, one challenge can hinder this process. The challenge is to accept personal weaknesses, such as indecisiveness, people-pleasing, conceitedness, impatience, and avoidance. To overcome their weaknesses, the interviewees revealed they had to become adaptive to changes. For example, Participant 2 indicated that willingness is key to adapting to any necessary changes when applying lessons into practice. Participant 6 stressed that she just had to think outside the box and tackle problems with a more creative approach that was different from her conventional ways. Participant 8 noted that becoming adaptive requires constant adjustment.

Summary

Chapter 4 included a detailed presentation of the data collected from all 10 participants. To find the answers to the three research questions, 12 open-ended interview questions were developed. Based on the responses from all participants, 22 significant statements were analyzed through the coding process. From these statements, seven major themes were identified to answer each research question. An overview of the relationships between the interview questions, significant statements, and themes for each research question is presented in Table 4.

Table 4

Overview of the Relationships Between Research Questions, Significant Statements, and Themes

Interview questions	Significant statements	Themes
Research Question 1: What are the impacts of failures, if any, on entrepreneurs?		
1. In your opinion, what comes to your mind when you think of failure?	• Consider failure as falling short of personal and corporation goals.	1. Impact on finance.
2. Please describe any failures, according to the definition in this study, in your business?	• Suffer a financial loss. • Discontinuance of business relationships.	2. Impact on relationship.
3. Could you describe what impacts the failures have had on you personally?	• Trigger negative emotions. • Loss of personal fortune.	3. Impact on emotion.
4. Could you describe what impacts the failures have had on your company?	• Company loses money. • Retention of employees.	
Research Question 2: What lessons, if any, have entrepreneurs learned from failures, as leaders of their companies?		
5. As the leader of your company, how did those failures influence the way you have led yourself and your company?	• Take actions to prevent further damage caused by failure. • Hire right people and treat them well.	4. Gaining knowledge in business management, increasing awareness of personal limitations, and enhancing faith.
6. What are some of the lessons that you have learned from those failures?	• Gain more knowledge and skills on business management. • Awareness of personal limitations. • Lean more on a higher power.	5. Leading changes by setting an example and showing care to employees.
7. How have those lessons influenced your leadership capability and growth?	• Leader grows to demonstrate care, trust, and respect. • Leader grows to set a good role model.	

(continued)

Interview questions	Significant statements	Themes
Research Question 3: How have entrepreneurs applied the lessons, if any, into their practice?		
8. How have you applied those lessons to the ways that you conduct your business?	• Take actions to avoid making the same or similar mistakes in the future.	6. Taking actions to prevent from making similar mistakes in the future.
9. What were the obstacles when applying the lessons and how have you overcome them?	• Accept personal weaknesses. • Become adaptive to changes.	
10. What were the outcomes or changes in your business after applying the lessons?	• Owners have redefined corporate strategy. • Company has met desired goals.	7. Accepting personal weaknesses and becoming adaptive to changes.
11. What advice would you share with anyone who would like to become an entrepreneur in terms of how to deal with failures?	• Get prepared for failure. • See failure as a forging process for success and learn from it.	
12. Is there anything else that you would like to add?	• Fear not failure and do not give up.	

Failures have had three major impacts on entrepreneurs. Failure can cause both entrepreneurs and their companies to lose a considerable amount of money. Failures can also damage the relationship between entrepreneurs and their partners or their employees. Finally, failures can have a negative impact on entrepreneurs' emotions. Encountering failure can trigger negative emotions such as disappointment about oneself, depression, and feeling sad.

Despite the potentially negative impacts that failures can have on entrepreneurs, entrepreneurs have learned some valuable lessons. One of the lessons is gaining knowledge in business management, including skills in finance, marketing operations, and human resources. The entrepreneurs also became more aware of personal limitations and began to have a more realistic view about their abilities and achievements. Additionally, the entrepreneurs shared that their faith and trust in a higher power had been strengthened. They acknowledged that it is crucial to lead their employees by being role models and by showing them care, trust, and respect.

By applying the lessons learned to their business practices, the entrepreneurs had taken action to prevent themselves from making similar mistakes in the future. They also accepted their personal weaknesses by become adaptive to change. In the process of learning and applying, the entrepreneurs overcame their limitations and kept improving and making adjustment to meet their company's desired goals.

The next chapter will include a discussion about the seven major themes. The implications and limitations of the findings and the recommendations for future research will also be discussed.

Chapter 5: Discussions, Implications, Recommendations, and Conclusion

Introduction

This qualitative phenomenological study involved exploring the failure experiences of 10 entrepreneurs of small businesses from different industries in the United States. Three overarching research questions were designed to investigate the impacts of failure on entrepreneurs. The aim of this study was to reveal lessons that entrepreneurs had learned from their failures, as well as how they had applied lessons into their practice.

To collect related data to answer all three research questions, the researcher created 12 open-ended interview questions. Data collected from the interview questions were carefully analyzed through a qualitative coding process. Twenty-two significant statements were identified from the coding. Using these significant statements as the foundation, seven major themes emerged to answer the research questions: (a) impact on finance, (b) impact on relationship, (c) impact on emotion, (d) gaining knowledge in business management, increasing awareness of personal limitations, and enhancing faith; (e) leading by setting an example and showing care to employees, (f) taking actions to avoid making similar mistakes in the future, and (g) accepting personal weaknesses and becoming adaptive to changes.

This chapter includes a detailed discussion of each theme performed first through comparing the theme to the related literatures discussed in Chapter 2. Then the implications of the findings will follow. After that, the limitations of the findings and the recommendations will follow. Finally, the last section includes the conclusion of this study.

Discussions

The discussions about each theme found in this study are placed within the context of related literature discussed in Chapter 2. A comparison of the themes to other scholars’ arguments and findings leads to a more comprehensive and deeper understanding about all the findings of this research.

Impact on finance. One of the most profound impacts of failure is the financial impact. In Interview Question 2, when participants were asked to describe one or two failures in their past, nine out of 10 participants mentioned a financial-related failure. Similarly, Cope (2011) found that all the participants in his study reported suffering certain forms of financial losses. The severity of financial loss at a personal level can vary. The lightest financial loss can be loss of income. For example, Participant 10 reported that his personal compensation was reduced because the company had run some projects that failed to make revenue. Financially severe impacts can include loss of personal savings, valuable assets, and retirement funds. For instance, Participant 5 reported that he lost almost all of his 20-year savings in his first failure in business. Participant 1 reported that he was forced to liquidate several of his personal properties for cash to save the company from bankruptcy. Participant 9 revealed that she lost a significant amount of her retirement fund because of failure, which has affected her life “immensely” and she “had to cut back on expenses and live somewhat more frugally.”

The financial impact of failure is also important at the company level. Several participants mentioned that failure led their company to lose a significant amount of money. For example, Participant 1 mentioned that his company lost a considerable amount of money because of a mismanaged project. Participant 3 reported that failure had created a lot of dead inventories, which caused a sharp increase in her company’s operation cost as the company had to pay expensive monthly fees for renting storage for the unsold products. Similarly, Participant 4 stated that failure had caused his company to lose a large amount of its investment, which negatively affected the company's daily operations. The company eventually shrunk in size and lost a large percentage of market shares to its competitors.

Impact on relationship. Some scholars have argued that failure could result in a social cost to entrepreneurs (Cope, 2011; Singh et al., 2007; Ucbasaran et al., 2013). The findings of this study revealed that failure can indeed affect the social relationships of entrepreneurs. Many participants in this study reported that failure could influence their relationships with their employees and their partners. In the relationship between entrepreneur and their employees, failure can cause the legal employment relationship to end. For example, Participant 2 mentioned that closing several stores that he owned left him no choice but to lay off employees, some of whom had worked for him for years. The decision was difficult as he cared about his employees and saw them as his family. Participant 3 reported that she had to lay off some of her employees because of the financial difficulties the companies had gone through.

In the relationship between entrepreneurs and their partners, failure can increase tension, damage trust, or lead to the end of a business partnership. Failed entrepreneurs may need to mend relationships with and to regain trust from their investors and partners (Cope, 2011; Singh et al., 2007). For instance, Participant 5 mentioned that the first failure he encountered caused distrust among his partnered suppliers, and it took great effort and time to mend the damaged relationship. Participant 8 expressed that his failure caused him to break up with his partners and the relationship had not been fully reconciled for years. Likewise, Participant 9 said she noticed that failure had raised questions in the minds of her clients and her staff members. She also noted that failure had "an adverse effect" on many people associated with her company.

Impact on emotion. Several scholars have concluded that failure can trigger negative emotions in entrepreneurs (Cope, 2011; Shepherd, 2003; Singh et al., 2007). The findings of this study further confirmed that negative psychological impact from failure in participants' experiences can be overwhelming. Nine out of 10 participants admitted that they experienced different kinds and different levels of negative emotions when they encountered failure in their business ventures. Some of the common psychological effects of failure include feeling regret, feeling bitterness, losing the sense of control, and feeling stressed. The negative emotions that arise within entrepreneurs can further cause a sense of self-denial (Singh et al., 2007). Some participants in this study reported that they experienced a certain level of self-denial in their failures. For example, Participant 2 expressed that after having negative emotions for several weeks, he starts to feel strong disappointment in himself as well as his business. Similarly, Participant 5 described the psychological burden that had put him in a situation where he felt deeply depressed. He had gone through a period when he held an "extremely negative view" on both his business career as well as "life itself."

Gaining knowledge in business management, increasing awareness of personal limitations, and enhancing faith. According to Stokes and Blackburn (2002), business-related skills are the most common learning outcome from entrepreneurs' failures. The finding of this study supported this statement. Nine out of 10 participants mentioned that they gained more knowledge and skills in business management through their failures. Many participants indicated they gained a better understanding about certain aspect of running their business from their failures. These aspects included financial management, marketing, human resources, and goal setting. For instance, Participant 5 stated that he realized how poorly he had done in his financial management of the company. From what he learned about effective financial management in his own failures, he established a strong financial management system in a later venture. Furthermore, Participant 9 took courses about hiring and firing employees to enhance her knowledge on employee relations, recruitment, and discharge. Participant 10 noted that failures over the years reinforced his belief in goal setting. He reflected that he had improved in setting tangible goals over time. From his failure, he learned that "goals need to be shared, explained, communicated, and bought into."

Politis and Gabrielsson (2009) found that entrepreneurs gained a more realistic view about themselves from their failure experiences. Similar findings were also discovered and confirmed in this study. One of the important lessons that a majority of the entrepreneurs reported was that they were more aware of their own limitations from their failure experiences. Several participants mentioned that they held a more realistic view about themselves. For example, Participant 3 mentioned that she had learned that she gained some understanding of the limits of her abilities. She further noted that understanding her own limitations helped her "make better decision and better use of the resources" she had. Participant 4 stated that he will no longer overestimate himself because he learned his limits. Similarly, Participant 5 mentioned that he learned about his limits regarding his abilities, skills, and knowledge of doing business.

Failure provides an important life lesson about faith. To entrepreneurs, faith is the "foundational building block that allows, empowers and compels them to take the risk and to move forward with their dreams" (Hall, 2012, para. 4). Faith provides determination and encourages hope and perseverance within entrepreneurs when they encounter failure. Many entrepreneurs in this study shared that failure enhanced their faith and they tend to lean more on a higher power in difficult times. For example, Participant 1 mentioned that he learned to trust more in God. To him, prayers are an important component in his business. Likewise, Participant 3 noted that her faith helped her regain hope and energy. She realized her life is built on a foundation of faith that gave her the strength to beat all the odds in a difficult time.

Leading changes by setting an example and showing care to employees. In terms of leadership lessons acquired from failure experiences, this study found that entrepreneurs recognized the importance of being the role model to their followers and caring for their needs. This is a critical leadership principle needed to lead effectively. Kotter (1990) indicated leadership is necessary when trying to implement any changes in an organization. Failures create the need and urgency for change. As the leaders of their companies, entrepreneurs' leadership skills determine whether they can lead changes effectively in their organizations. Many participants of this study indicated that in order to lead change, they needed to be a good example themselves first and, at the same time, to show care to their employees. For example, Participant 2 mentioned that when he tried to change some rules in his store, he realized that if he could not demonstrate how to do things according to the new rule, his followers would not do well either. In other words, he found his employees could not effectively carry out changes in his store if he could not set a good example for followers. Participant 6 mentioned that she found she had to be a good example to her employees if she wants some real changes to happen. In contrast, Participant 3 stated that the care she shows to her employees enhances the emotional bonding between them. As a result, her employees gave more support to her change efforts when her store had gone through a difficult time. Participant 8 mentioned that he realized that caring about employees was an essential instrument to implementing change in his medical practice. He wanted to change the patient service to be friendlier. Hence, he started treating all his staff with care, respect, and trust and created a sense of family with them. The result was that employees' job engagement and the level of patient service improved.

Taking actions to prevent from making similar mistakes in the future. Failure motivated entrepreneurs to engage in learning activities constantly. Ellinger et al. (1999) pointed out that high consequence issues such as failures help entrepreneur to realize that learning is the only way to help their organization to recover quickly, and any delay in learning can lead to severe consequences. Learning does not just stay in their mind, but as practitioners, entrepreneurs should formulate learning into specific behaviors or actions. Many participants in this study acknowledged that they would take action to prevent others from making similar mistakes in the future. For example, Participant 3 shared that she had to stop purchasing a particular product until she was sure of its quality in order to avoid ending up with dead inventory again.

Accepting personal weaknesses by becoming adaptive to changes. The obstacle of applying lessons learned from failure into practice comes from the inner world of entrepreneurs rather than their outer environment. Nine out of 10 participants mentioned that the most challenging part when applying lessons was accepting their own weaknesses. For example, Participant 8 pointed out that he had to accept the fact that he tended not to confront people. However, he experienced difficulty changing himself to be more willing to confront conflicts. He noted that it took some time for him to adjust to being more comfortable coping with conflicts among people. Participant 9 mentioned that the obstacle was more within her than from the outside world. She had to learn to say no to her clients, which she used to find very hard to do. The entrepreneurs realized that accepting personal shortcomings was challenging and the key to accomplishing that was becoming adaptive to change.

Implications

Nothing is easy in the process of starting up and building a small business. Entrepreneurs often experience failures before achieving success. The findings of this study that involved interviewing 10 entrepreneurs who were the owners of small businesses from various industries in the United States provided a way to look deeper into participating entrepreneurs' failure stories and understand how they have coped with these failures. Based on the analysis of findings, some implications were developed that might provide some useful advice on dealing with failures for both current and prospective business practitioners.

Prepare for failure. Be prepared for failure was the most common advice given by the participating entrepreneurs. Although no one plans to fail, it is important to plan ahead for what to do if the worst scenario takes place. Entrepreneurs should think of all the consequences of failure and make plans accordingly. Participant 1 mentioned that he always asked himself questions such as "What is the worst scenario? Under the worst scenario, how can I live with it? How can I deal with it?" Participant 1 further explained,

> These questions are what I will think of when I sense a possible failure that I might have. It also comes to my mind during any project planning, I will think about the actions for dealing with failures. I tend to conduct a thorough analysis and think about even backup plans before any business endeavors, thinking how failure will affect my life and my family.

As most of the failures reported from participants caused financial losses at both a personal level and a company level, it is imperative for entrepreneurs to create an emergency fund for failure situations in business. Participant 7 remarked, "In a long run, it would be better for entrepreneurs to purposefully set up an emergency fund that will be used to support basically daily operations of the company during the bad times." Participant 1 further noted, "Always prepare for the worst. Always have money reserve (cash) for the critical financial crisis. Maintain a good credit, being broke can be fatal in a long run for business where you cannot easily borrow any money from banks." For prospective entrepreneurs, insight about the target industry and performing adequate due diligence in the market is fundamental to minimizing the possibility of failing. As Participant

2 suggested, “I think if you choose to open a business in retail industry, you have to do market research before you jump into it.” Similarly, Participant 6 stated,

> Before you start your business, you would better get prepared ahead. You would better do a good market research to understand your customers, your suppliers, and your competitors. You need to collect as much information as you can to help you make better decision in business.

Participant 7 also noted,

> You have to be prepared for the possibilities that you might fail somehow along the way. It would be better that before you start your own practices, you can have some years of working experiences in the related industry. You need to have some insights about the trend in the industry you like to focus on. The more you learned and the more experiences you have gained from your interested industry, the less you will fail easily.

Learn from failure. Failure provides an opportunity for entrepreneurs to pause for self-reflection to figure out what was done wrong and what can be improved. The findings of this study indicated that positive learning outcomes can be obtained from failure experiences. Instead of holding an anti-failure attitude toward failures, seizing failures as chances to redefine corporate strategy in different business aspects can bring the long-term progressive impact for the company’s growth. Some participants have recommended that entrepreneurs should not stop learning, even when they have failed. For example, Participant 2 noted, “In the business world, it is very common to fail. You have to constantly adjust yourself to deal with bad times.” Participant 3 observed, “Being an entrepreneur means you’re willing to take risks. Failure is inevitable—try to learn from it.” Similarly, Participant 9 urged,

> Learn from your failures! Find out what caused the failures and change the thing that have a negative effect on the business. If we learn through our failures, we can have a positive influence on the future for the business.

A final comment came from Participant 10, who stated, “If you don’t fail on occasion, you may not be trying hard enough. Learn from your own mistakes, as well as the mistakes of others.” In the ever-changing business world, learning is an effective way for entrepreneur to adjust themselves to new situations. Entrepreneurs need to view failure as opportunity to learn something that it is important to running their business instead of sinking deep in the negative emotions of getting defeated.

Find a support group. Failure can cause an enormous emotional toll on entrepreneurs. Dealing with failures is never easy. Therefore, finding people willing to provide support and help in the midst of failure would help entrepreneurs to overcome influences from negative emotions and to recover from failures quickly. These support groups can be found from family, friends, coworkers, and peer entrepreneurs who are willing to help others to succeed. Participant 5 noted, “Your spouse may give you unconditional support even when you fail. Find a mentor who is willing to walk with you when you fail and provide advices to get most out of your failures.” Participant 9 suggested, “Work as a team and listen to the advice of your team members. Don’t be defensive but learn from criticism.” Finally, Participant 10 made the following recommendation to other entrepreneurs: “Surround yourself with good people, not just to help you execute but to identify your blind spots and do things better that you cannot do yourself.”

Limitations

The purpose of this study was to explore the experiences of a selected group of entrepreneurs who had encountered failures in their business ventures. Due to the nature of qualitative research, this study involved a purposeful sampling strategy to choose its target participants, instead of using a random sampling strategy. Therefore, the findings from this study may not represent the stories or experiences of all the entrepreneurs in the United States, but are limited to the particular failure experiences and stories of these 10 entrepreneurs.

In this study, participants recalled any failures they had encountered in the past and shared the lessons they learned from those experiences. In this retrospective process, it was possible that some of the details related to the experiences were missing due to the limitation of individuals' memories. Cope (2005) noted out an entrepreneur's interpretation of an event can change at different times or in different contexts. It is possible that the views of the participants of this study on failure may change over time as their life stage has moved on. Therefore, the findings of this study are representations of participants' perspectives and feelings about failure when the study was conducted.

Recommendations

Failure is an important component of the entrepreneurial journey. With it, entrepreneurs learn important life lessons that will benefit their careers and business and enrich their life experiences as individuals. The findings of this research might provide some lessons to new venture starters or current entrepreneurs to gain knowledge when they face similar situations in their business practices. The findings of this research might help entrepreneurial researchers to gain more understanding about the failure phenomenon as seen through the lived experiences of real entrepreneurs who have gone through failures in their business ventures. However, the expenditure of the new truth and knowledge about entrepreneurship never ends. As an emerging field of the entrepreneurial study, failure still needs to be studied more, and more valuable lessons are expected through further explorations from other researchers. The data and findings of this research might provide a foundation for future researchers and scholars interested in searching for the hidden truth about the failure phenomenon in among entrepreneurs. The following recommendations might serve as references for future research:

1. This research had a narrow focus on entrepreneurial failure from the lens of a qualitative phenomenological research approach. Future researchers can use different research methodologies to examine the failure phenomenon in the entrepreneurial

world. A quantitative research approach or a mixed methods research approach may shed new light on the research of entrepreneurial failure.

2. This research included interviews with 10 entrepreneurs selected using a purposeful sampling strategy. Future researchers might explore the topic with a much larger sample size selected using a random selecting strategy to collect data from 100 or more entrepreneurs around United States. A much larger sample size may make the findings more representative of the overall perceptions about failure of the entire entrepreneurial community.
3. It was not the intention of this study to compare different perceptions about failure between entrepreneurs who had only one start-up experience with those who had several. Thus, future researchers can address this topic by examining whether these two groups would share different view on failures. Such a study may also reveal whether there are differences between the two groups regarding their strategies when coping with their own failures and on their respective leadership growth.
4. Interviewees from this research were from various types of small businesses in different industries. It is possible that future research can include a focus on exploring entrepreneurial failure in a single industry. By doing so, researchers might be able to provide more specific, practical advice on how to cope with failure among entrepreneurs in a particular industry.
5. Future research can also address the perceptual difference on failures among entrepreneurs based on gender, educational background, and age. For instance, a comparison study can address on whether the gender difference affects entrepreneurs to view and handle failures differently. Other comparison research can focus on

whether the differences in the education level would lead to various reactions to failure among entrepreneurs. Moreover, whether different age groups will react differently toward failure needs to be further examined in future studies.

6. Another possible area for future research is conducting a comparison study about the perceptual difference about entrepreneurial failure among different countries. Such research may help to obtain a deep understanding on whether the differences in cultural, political, economic, and legal differences among Western and Eastern countries can cause any similarities or differences in the perceptions of entrepreneurs on failure who come from these different countries. The findings of such research may also help to discover more valuable insights and lessons about failures that can be applied and used by entrepreneurs on a global scale.
7. A longitudinal study might be possible in the future. Such a study may follow several first-time entrepreneurs just starting their first business venture to observe the changes, if any, in their attitudes, perceptions, and strategies after they encounter failures over time. Such a study may provide more detailed evidence that would help to understand the mental development process of entrepreneurs in learning from failures over time.

Conclusion

The purpose of this phenomenological study was to explore entrepreneurs' perceptions on failure. Through exploring the failure stories of entrepreneurs, this study revealed valuable lessons that the participating entrepreneurs learned from their failure experiences. In addition, this research involved discovering how entrepreneurs have applied the lessons they learned from their failures into business practices based on the experiences they described. An examination of the related literatures in Chapter 2 focused on major theories in five areas: entrepreneurship, leadership, entrepreneurial leadership, entrepreneurial learning, and failure. The review of major theories in the literature helped to build the theoretical framework of this study.

The study included 10 purposefully selected participants who met the study criteria. The researcher conducted face-to-face interview with each participants. Twelve open-ended questions were asked during each interview, and the data collected from the interviews were carefully analyzed using a coding process. Seven major themes emerged: (a) impact on finance; (b) impact on relationships; (c) impact on emotion; (d) gaining knowledge on business management, increasing awareness of personal limitations, and enhancing faith; (e) leading changes by setting an example and showing care to employees; (f) taking actions to prevent others from making similar mistakes in the future; and (g) accepting personal weaknesses by becoming adaptive to changes.

This study revealed out that failure has three major impacts on entrepreneurs: the impact on finance, relationship, and emotion. Failure can cause entrepreneurs financial losses at both personal and company levels. Failure can also increase the tension between entrepreneurs and their employees or partners. In addition, failure can lead entrepreneurs to having negative emotions such as depression, disappointment, and regret. Failure can also lead entrepreneurs to lose confidence in themselves and to develop a sense of self-denial.

Despite the negative impacts of failure, the participating entrepreneurs reported that they learned some valuable lessons from their own failure experiences. The entrepreneurs gained more understanding about how to manage their business operations effectively. Moreover, they learned more about their limitations in their abilities, skills, knowledge, and personalities. Failures also help entrepreneurs to realize the importance of their faith. Many participants reported that they lean more on a higher power during the difficult times. Another lesson in leadership was that effective leadership in a change process required entrepreneurs to be a good role model and demonstrate to their followers that they cared.

One of the approaches for entrepreneurs to apply the lessons was taking actions to prevent from making similar mistakes in the future. When applying the lessons into daily practice, they have accepted personal weaknesses and become adaptive to changes.

Failure provides a great opportunity for entrepreneurs to learn things that might help their business develop and grow. McGrath (1999) noted the anti-failure mind-set would not benefit entrepreneurs in the long run. This study found that the learning value of failures could not be overlooked. To get the most from their failure experiences, entrepreneurs need to manage the cost of failure and incorporate it as a learning tool in order to realize more about themselves, enhance their skills and knowledge in business management, and become resilient in the midst of challenging situations. In this way, they would be able to develop into better leaders, both personally and professionally.

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APPENDIX A

Statement of Bracketing

I grew up in China where society tends to put a strong emphasis on personal achievement and success. The scale of personal success is usually measured by an individual's wealth accumulated by his or her occupation. Most Chinese parents, being risk averse, would rather ask their children obtaining stable jobs than becoming entrepreneurs. In their minds, running one's own business implies uncertainty and challenges that could lead to failure more easily than working for someone else. Traditionally, the Chinese society tends to hold success in high esteem and look down upon failure. Before coming to the United States, I held a similar idea about failure.

In the past few years, I have worked with two different small companies and been able to observe the daily business operations. Both U.S.-based, one is an international third-party logistics provider for container transportation services founded in 1976. The other is an educational consulting firm for cross-cultural and study abroad programs founded in 2000. On numerous occasions, the two company owners shared their business stories with me. Both of the founders had experienced successes and failures in their ventures. Some of their stories inspired me, especially regarding how they dealt with business failures. Gradually I realized that behind each story, there is a valuable lesson for all. Even in the United States, I hear more entrepreneur success stories than failure stories. It appears that failure experiences are often overlooked. Entrepreneurial failure experiences can produce useful insights and learning for existing and future entrepreneurs.

APPENDIX B

Invitation to Potential Research Participants

Dear [Potential Participant],

My name is Yang Zou. I am requesting your assistance in a doctoral dissertation study that I am conducting at the Graduate School of Education and Psychology at Pepperdine University. The purpose of this study is to find out the possible leadership lessons that entrepreneurs have learned from failures in their ventures. If you have met both of the following criteria as listed below, then you are qualified to participate in this research:

(a). You have ever owned a business for at least 5 years, with at least one employee;
(b). You have had failure experiences in your business venture.

Your assistance on this research may help build a deeper understanding about the phenomenon of failure in entrepreneurs' ventures, as well as valuable implications of leadership.

In order to gather necessary data accurately, I would like to conduct an in-depth, semi-structured interview with you. ***A digital recorder*** will be used during the interview to record the whole interview for review and analysis at a later time. Since this research has been reviewed **and approved** by the ***Institutional Review Board (IRB)*** of the Graduate School of Education and Psychology at Pepperdine University, your privacy and safety while participating in this research will always be my priority. To protect the participants, no information regarding their identity will be revealed, but remain ***confidential***. The overall interview will last ***no longer than 90 minutes***. Participating in this study is ***voluntary,*** and you have the right to refuse to answer any question during the interview. After the interview, I might contact you with follow-up questions for clarification. Within a week after the interview, a summary of the interview will be e-mailed to you for review. You will be asked to verify the content of the summary and inform me whether the summary has correctly and accurately reflected the information you shared with me during the interview.

If you are interested in joining this research, please sign and e-mail back the Consent Form to me at [redacted]. You can also reach me at my cell [redacted] should you have any questions. The interview date, time, and location will be arranged at your convenience. If you cannot attend a face-to-face interview, an interview over the phone or Skype can be arranged. Meanwhile, I have attached the list of interview questions for your reference.

Thank you in advance for your time and consideration.

Regards,
Yang Zou
Doctoral Candidate
Graduate School of Education & Psychology
Pepperdine University

APPENDIX C

Expert Panelists' Biographies

The interview questions of this research were reviewed by a panel of two experts: Dr. Daniel Huang and Mr. Freeman Cheng.

Daniel Huang, Ph.D.

Graduated from Michigan Technological University with a doctoral degree in Mechanical Engineering, Dr. Huang has over 17 years of professional management and engineering experiences in the automotive and aerospace industries. The companies he has served include Visteon Corporation, Ford Motor Company, Honeywell Aerospace, CODA Automotive, Inc., Fisker Automotive, and Chrysler Group, LLC. Dr. Huang's professional experiences allowed him to observe firsthand both the highs and lows of several companies' life cycles. Specifically, he has experience working with an auto start-up firm that actually went through bankruptcy.

Mr. Freeman Cheng

As a colonel, Mr. Freeman Cheng served in the Army for 20 years. After retiring from the Army, he began to pursue his lifelong dream to be an entrepreneur. As a self-made entrepreneur, Mr. Cheng has over 14 years of experiences in building and running a business. The company he founded offers diverse lines of products and services ranging from solar technology to educational consultant services covering the market in United States, Taiwan, and China. Mr. Cheng also currently serves as a board member in several for-profit and nonprofit organizations.

APPENDIX D

Informant Verification

Dear [Informant],

Thank you again for participating in my research.

I have attached a summary of the content from our interview on [date]. Would you please take a few moments to review it? Please e-mail me and let me know if you believe the summary accurately reflects your views and beliefs on subjects we have discussed. Also, if possible, please provide me with any corrections to improve the accuracy of this summary. Please feel free to contact me if you have any questions or concerns.

Thank you again for your time and help!

Sincerely,

Yang Zou
Doctoral Candidate
Graduate School of Education & Psychology
Pepperdine University

APPENDIX E

Informed Consent for Participation in Research Activities

Participant:__________________________

Principal Investigator: Yang Zou

Title of Project: Leadership Lessons from Entrepreneurial Failure: A Phenomenological Study

1. I, ___________________________ , agree to participate in the research study conducted by Yang Zou under the direction of Dr. June Schmieder-Ramirez (dissertation chair).

2. The purpose of this research study is to explore the leadership lessons entrepreneurs have learned from the failures in their business endeavors. This research will allow the principal researcher, and those who read this research, to gain a better understanding about: (1) what leadership lessons entrepreneurs have learned from their failures; (2) how entrepreneurs have applied these lessons into their business practices and (3) sharing from the wisdom and advice from the experienced entrepreneurs with prospective entrepreneurs.

3. Please note that your participation in this research is strictly voluntary. If you volunteer to participate in this research, you will be asked to take an approximate 90 minute-interview with principal investigator that will be audio recorded. During the interview, a digital voice recorder will be used and notes will be taking in order to ensure complete accuracy of your interview. You may ask principal investigator to stop or resume recording at any point in your conversation during the interview. In a week following the interview, a transcript of your conversation will be created and emailed to you for your review. Please verify the transcript and make any corrections you think that is necessary.

4. My participation in the research will take approximate 90 minutes in a face-to-face interview. However, using phone, Skype or other online communication tools to conduct interview is also acceptable and can be arranged based on participant's request. The time and location of conducting the interview will be planned according to participant's preference.

5. There will be no direct benefits for participating in this research. However, by participating in this research, participants will be contributing to the body of knowledge related to entrepreneurship, leadership, entrepreneurial learning, and entrepreneurial failure.

6. Although minimal, there are potential risks that you should consider before deciding to participate in this research. Some of the research questions may make you uncomfortable or upset to recall the failure experiences you have had in the past. You are free to decline to answer any interview questions that you don't want to, or stop the interview at any time. Please note in all research, there is a chance that confidentiality could be compromised; however, necessary precautions will be taken to minimize this risk. Vulnerable subjects such as children, prisoners, and pregnant women are forbidden to participate in this research study.

7. I understand that I may choose not to participate in this research.

8. I understand that my participation is voluntary and that I may refuse to participate and/or withdraw my consent and discontinue participation in the project or activity at any time without penalty or loss of benefits to which I am otherwise entitled.

9. I understand that the investigator(s) will take all reasonable measures to protect the confidentiality of my records and my identity will not be revealed in any publication that may result from this project. The confidentiality of my records will be maintained in accordance with applicable state and federal laws.

10. I understand that principal investigator will save the digital voice recording files and notes for use in future research conducted by principal investigator or others. The investigator will retain these records for up to 3 years after the research is completed. The same measures described above will be taken to protect confidentiality of this research data. After that, all files and data related to this research will be destroyed.

11. I understand that the investigator is willing to answer any inquiries I may have concerning the research herein described. I understand that I may contact the principal investigator, Yang Zou, at [redacted]. If I have further questions or do not feel principal investigator has adequately addressed my concerns, I may contact faculty supervisor, Dr. June Schmieder-Ramirez, Dissertation Chair, at [redacted]. If I have questions about my rights as a research participant, I may contact Dr. Thema Bryant-Davis, Chairperson of the Graduate & Professional School Institutional Review Board at Pepperdine University, via email at gpsirb@pepperdine.edu or at 310-568-5753.

12. I will be informed of any significant new findings developed during the course of my participation in this research which may have a bearing on my willingness to continue in the study.

13. I understand to my satisfaction the information regarding participation in the research project. All my questions have been answered to my satisfaction. I have received a copy of this informed consent form which I have read and understand. I hereby consent to participate in the research described above and consent to be audio recorded in the interview.

____

Participant's Signature

____

Date

I have explained and defined in detail the research procedure in which the subject has consented to participate. Having explained this and answered any questions, I am cosigning this form and accepting the above person's consent.

Principal Investigator	Date

APPENDIX F

List of Interview Questions

Interview Questions 1: In your opinion, what comes to your mind when you think of failure?

Interview Question 2: Please describe one or two failures that you have experienced in your business.

Interview Question 3: Could you describe what impacts the failures have had on you personally?

Interview Question 4: Could you describe what impacts the failures have had on your company?

Interview Question 5: As the leader of your company, how did those failures influence the way you have led yourself and your company?

Interview Question 6: What are some of the lessons that you have learned from those failures?

Interview Question 7: How have those lessons influenced your leadership capability and growth?

Interview Question 8: How have you applied those lessons to the ways that you conduct your business?

Interview Question 9: What were the obstacles when applying the lessons and how have you overcome them?

Interview Question 10: What were the outcomes or changes in your business after applying the lessons?

Interview Question 11: What advice would you share with anyone who would like to become an entrepreneur in terms of how to deal with failures?

Interview Question 12: Is there anything else that you would like to add?

APPENDIX G

Interview Protocol

Interview Date:

Time:

Principal Investigator: Yang Zou

Interview Participant Code #:

Greet participants and express appreciation for his/her participation.

Interview starts:

Today's interview will take about 90 minutes. The topic of this study is about the leadership lessons learned from entrepreneur's failure experiences.

May I start recording?

Now I am going to start the recorder. (Start recorder)

Today is ________ and the code number of this participant is _____________

I am going to ask you 12 open-ended interview questions. There is no right or wrong answer to any of these questions. What I require is simply your honest answers. During the interview process, if you feel confused or need further clarification about certain question, you are free to ask me to explain or clarify at any time. Do you have any questions before we go over each interview question?

1. *In your opinion, what comes to your mind when you think of failure? (After participant has answered question 1, investigator will give the following clarification: Here we define "failure" as any deviation from your desired expectation. For example, bankruptcy, business closure, change in ownership, financial loss, conflicts with partners, and employee turnover).*
2. *Please describe one or two failures that you have experienced in your business.*
3. *Could you describe what impacts the failures have had on you personally?*
4. *Could you describe what impacts the failures have had on your company?*

5. *As the leader of your company, how did those failures influence the way you have led yourself and your company?*
6. *What are some of the lessons that you have learned from those failures?*
7. *How have those lessons influenced your leadership capability and growth?*
8. *How have you applied those lessons to the ways that you conduct your business?*
9. *What were the obstacles when applying the lessons and how have you overcome them?*
10. *What were the outcomes or changes in your business after applying the lessons?*
11. *What advice would you share with anyone who would like to become an entrepreneur in terms of how to deal with failures?*
12. *Is there anything else that you would like to add?*

This is the end of the interview. Thank you again for your time and participation. (Stop recorder)

APPENDIX H

Thank You Email

Dear [Informant],

Thank you very much for participating in my research on Leadership Lessons from Entrepreneurial Failure: A Phenomenological Study. Your participation will help to establish a deeper and better understanding about entrepreneurship, leadership, entrepreneurial learning, and entrepreneurial failure.

Within a week or so, a transcript of our interview will be emailed to you at the email address you have provided. You will be asked to verify descriptions in the transcript and determine if it accurately reflects what you have said in the interview. Please feel free to advise me if there is anything in the transcript that does not match what you have said or meant in the interview. Your feedback and comments on the transcript will help me to ensure and improve the overall reliability of the data for this research.

Thank you again for your time and effort in this research.

Sincerely,

Yang Zou

Doctoral Candidate
Graduate School of Education & Psychology
Pepperdine University

APPENDIX I

Nondisclosure Form for Inter-rater Peer Reviewer

This nondisclosure form aims to protect the information related to the participant interview data associated with the dissertation entitled *Leadership Lessons from Entrepreneurial Failure: A Phenomenological Study*. Upon signed this form, the reviewer agreed that he or she will not use, share, reveal, or discuss any interview data of this study with anyone other than the primary researcher of this study.

____

Reviewer's Signature

____

Date

APPENDIX J

IRB Approval Letter

PEPPERDINE UNIVERSITY

Graduate & Professional Schools Institutional Review Board

April 6, 2015

Yang Zou

Protocol #: E0315D03 Project Title: Leadership Lessons from Entrepreneurial Failure: A Phenomenological Study

Dear Mr. Zou:

Thank you for submitting your application, *Leadership Lessons from Entrepreneurial Failure: A Phenomenological Study,* for exempt review to Pepperdine University's Graduate and Professional Schools Institutional Review Board (GPS IRB). The IRB appreciates the work you and your faculty advisor, Dr. Schmieder-Ramirez, have done on the proposal. The IRB has reviewed your submitted IRB application and all ancillary materials. Upon review, the IRB has determined that the above entitled project meets the requirements for exemption under the federal regulations (45 CFR 46 - http://www.hhs.gov/ohrp/humansubjects/guidance/45cfr46.html) that govern the protections of human subjects. Specifically, section 45 CFR 46.101(b)(2) states:

(b) Unless otherwise required by Department or Agency heads, research activities in which the only involvement of human subjects will be in one or more of the following categories are exempt from this policy:

Category (2) of 45 CFR 46.101, research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures or observation of public behavior, unless: a) Information obtained is recorded in such a manner that human subjects can be identified, directly or through identifiers linked to the subjects; and b) any disclosure of the human subjects' responses outside the research could reasonably place the subjects at risk of criminal or civil liability or be damaging to the subjects' financial standing, employability, or reputation.

Your research must be conducted according to the proposal that was submitted to the IRB. If changes to the approved protocol occur, a revised protocol must be reviewed and approved by the IRB before implementation. For any proposed changes in your research protocol, please submit a **Request for Modification Form** to the GPS IRB. Because your study falls under exemption, there is no requirement for continuing IRB review of your project. Please be aware that changes to your protocol may prevent the research from qualifying for exemption from 45 CFR 46.101 and require submission of a new IRB application or other materials to the GPS IRB.

A goal of the IRB is to prevent negative occurrences during any research study. However, despite our best intent, unforeseen circumstances or events may arise during the research. If an unexpected situation or adverse event happens during your investigation, please notify the GPS IRB as soon as possible. We will ask for a complete explanation of the event and your response. Other actions also may be required depending on the nature of the event. Details regarding the timeframe in which adverse events must be reported to the GPS IRB and the appropriate form to be used to report this information can be found in the *Pepperdine University Protection of Human Participants in Research: Policies and Procedures Manual* (see link to “policy material” at http://www.pepperdine.edu/irb/graduate/).

Please refer to the protocol number denoted above in all further communication or correspondence related to this approval. Should you have additional questions, please contact Kevin Collins, Manager of the

Institutional Review Board (IRB) at gpsirb@peppderdine.edu. On behalf of the GPS IRB, I wish you success in this scholarly pursuit.

Sincerely,

Thema Bryant-Davis, Ph.D. Chair, Graduate and Professional Schools IRB

cc: Dr. Lee Kats, Vice Provost for Research and Strategic Initiatives Mr. Brett Leach, Compliance Attorney Dr. June Schmieder-Ramirez, Faculty Advisor