Theses and Dissertations

2023

Learning through business unit failure: a study of individuals and mid-level managers

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LEARNING THROUGH BUSINESS UNIT FAILURE: A STUDY OF

INDIVIDUALS AND MID-LEVEL MANAGERS

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A Research Project

Presented to the Faculty of

The Graziadio Business School

Pepperdine University

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In Partial Fulfillment

of the Requirements for the Degree of

Master of Science

In

Organization Development

_____

by

Corinna Calhoun

July 2023

This research project, completed by

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under the guidance of the Faculty Committee and approved by its members, has been

submitted to and accepted by the faculty of The Graziadio Business School in partial

fulfillment of the requirements for the degree of

MASTER OF SCIENCE

IN ORGANIZATION DEVELOPMENT

Date: July 2023

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Abstract

Research on business failure focuses primarily on entrepreneurs and largely ignores individuals and mid-level managers who comprise most corporate populations. This study aimed to mitigate this gap by exploring how 15 individuals and mid-level managers working in a Fortune 50 technology company experienced failure and how their beliefs impacted their experience and learnings. Qualitative interview data were analyzed using a schema from the literature. The results suggested that emotional regulation, belief in personal agency, and separation of self from work supported learning and positive outcomes. Future research would create deeper insights into the social impacts on emotions and sensemaking and the importance of dynamics such as relative power.

Keywords: business failure, individuals and mid-level managers, emotions, learning, sensemaking

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Chapter 1: Introduction

The nature of business has always been inherently competitive. Businesses must succeed financially to survive and both short and long-term progress is measured explicitly in terms of success or failure (e.g., revenue, margin, market share). At least some level of business failure has always been both unwanted and inevitable. However, creativity and adaptability in today's volatile, uncertain, complex, and ambiguous (VUCA) environment is also increasingly desirable. This is because failure calls our attention to what is not working and stimulates innovation through searching for alternative approaches (Baumard & Starbuck, 2005; Ellis et al., 2006; Louis & Sutton, 1991). Conversely, continued success has been linked to multiple challenges, including organizational rigidity, inertia, and insularity (Miller, 1994; Sitkin, 1992). Managing the tension between delivering positive business results and embracing failure creates complexity as companies navigate how best to limit financial risk while enabling the conditions for experimentation and learning.

In the nearly $1.8 trillion (CompTIA, 2022) U.S. technology sector, given the pace and scale of advancements such as cloud computing, Artificial Intelligence (AI), and machine learning, companies live or die based on their ability to innovate quickly, secure market share, and sustain economic viability. An optimal scenario is for technology businesses to rapidly acquire knowledge and create new revenue opportunities while limiting the costs of failure. This scenario, an alternative to the historically endemic anti-failure bias in U.S. business (Miller, 1994; Whetten, 1980), was first popularized by McGrath (1999) on real-options reasoning. Rather than trying to avoid failure at all costs,

real-options reasoning asserted that companies could maximize profits by increasing high-variance outcomes and using the accrued knowledge to make strategic choices.

Since then, the ability to learn through failure has been progressively promoted in management theory and literature. Mantras such as "fail fast and learn" took hold in Silicon Valley software companies and became fashionable through books like *The Lean Startup* (Reis, 2011). High-profile cases of companies that fell from great heights because they did not learn from their mistakes (e.g., Nokia, Compaq) contributed to a growing zeitgeist that there was real economic value behind understanding how to optimize learning through failure.

As the anti-failure stigma in U.S. business began to lift, so did researcher interest in understanding how people experience failure and what factors inhibit or accelerate learning from it. While other categories exist, two primary prongs of research concerned with these questions have been psychology, including organizational psychology and behavior (Cannon & Edmondson, 2001, 2005), and management and organizational science. In particular, the sub-segment of entrepreneurial research within organizational science has provided insights into how founders experience business failure and the various factors that impact their learning and recovery processes (e.g., Cope, 2011; Corbett et al., 2007; Singh et al., 2007). These disciplines expanded on the core principle that failure is a valuable vehicle for learning, which has been well-established for decades in learning theory (Kolb, 1984).

Psychologists have established the benefits of learning and adapting through a wide lens of adverse conditions, distinguishing this phenomenon from concepts such as resilience and grit, which emphasize perseverance rather than transformation. For

example, research has shown that trauma survivors frequently emerge from their experiences with stories of growth, primarily because they are forced to re-examine and broaden their prior belief systems (Neimeyer, 2004; Tedeschi & Calhoun, 1996, 2004, 2015). However, research that bridges posttraumatic growth and the world of ordinary work (i.e., not explicitly associated with trauma, such as work done by military members and first responders) is nascent. Some studies offer additional support for the value of work-related adversity in personal development and the importance of confronting and evolving personal beliefs (Gabriel et al., 2010; Maitlis, 2020). What allows for a broad spectrum of negative experiences to be catalysts for growth is the argument that "the nature of the event itself is less important for posttraumatic growth than the way that an individual experiences it" (Maitlis, 2020, p. 400). This argument, and the underlying research beneath it, supports the critical role of beliefs in how individuals experience failure and the process by which they extract learning and growth.

Despite the overall attractiveness of learning through hardship, psychologists have also established many obstacles, including but not limited to self-evaluation (esteem) maintenance (Tesser, 1988, 2000), attribution theory (Heider, 1958; Zuckerman, 1979), defensive routines (Argyris, 1985), and rigidity, especially in the presence of threats (Pally, 1955; Rokeach, 1960). Particular attention has been paid to the role that mindset plays in the degree to which these obstacles manifest in individuals and teams and the psychological and organizational barriers that must be overcome to achieve learning and improved outcomes (Cannon & Edmondson, 2001, 2005; Dweck, 2006; Dweck & Leggett, 1988). Because of the magnitude and intractability of these challenges, numerous studies have claimed that desire has so far outpaced capability and that

learning from failure is "more common in exhortation than practice" (Cannon & Edmondson, 2005, p. 301).

To close this gap between exhortation and practice, management and organizational scientists have paid particular attention to how entrepreneurs (including top executives and leaders of new ventures) experience and learn from failure. This is primarily because of these populations' decision-making authority and their outsized impact on organizational and economic outcomes. This focus is unsurprising because U.S. technology companies can spend as much as $78 billion annually on R&D (Macrotrends, 2023).

Entrepreneurial literature has established a growing foundation of insights into how this population experiences business failure. Studies have shown the overall usefulness of failure in terms of experiential learning, the numerous challenges and obstacles encountered, and the importance of internal narratives, beliefs, and the sensemaking process in the degree to which these people are successful at extracting learning and improved outcomes from their experiences (Cope, 2011; Shepherd, 2003; Shepherd & Cardon, 2009; Ucbasaran et al., 2013). In an echo of the literature on posttraumatic growth, across the canvas of entrepreneurial research, "there is broad agreement that it is not the event itself that determines how critical a business failure is [and its subsequent outcomes] but rather how it is perceived subjectively, and the individual attitude taken to the failure" (Lattacher & Wdowiak, 2020, p. 1119).

Despite the growth in entrepreneurial business failure research in recent decades, there remain gaps in terms of exactly how entrepreneurs transform their experience into learning, limiting additional practical recommendations on how that transformation can

be encouraged and accelerated (Lattacher & Wdowiak, 2020; Ubasaran et al., 2013). However, literature examining how individuals, including mid-level managers (MLMs), experience and learn through business failure is nearly absent. The studies that intersect business failure and individuals/MLMs tend to extend the sphere of existing entrepreneurial literature to include research scientists and other members of R&D teams (Mantere et al., 2013; Shepherd et al., 2011, 2014).

This inattention to non-entrepreneurial workers is surprising since individuals and MLMs comprise most of the workforce within large Fortune 50 technology companies. While lacking the senior-most decision-making authority, these groups are instrumental in the execution of business initiatives and in a company's ability to create and act on new organizational learning. Additionally, these populations' experiences of business failure may differ from those in positions of authority. In their work on real options reasoning within large firms, McGrath et al. (2004) established the distinction and likelihood of disagreement between the people who "own the option" and the people who "are the option" (p. 96). MLMs are particularly interesting in this context, due to their unique upward and downward influence (Wooldridge & Floyd, 1990). Given their role in setting the tone, interpreting strategic decisions, and managing work, these people sit somewhere between owning and being the option. Exploring how this population and non-managerial individuals who are the option experience business failure provides a fresh academic lens through which to explore the learning process and identify new research avenues.

Standalone business units (SBUs) in Fortune 50 companies provide a unique environment to study these populations. SBUs provide stability and financial protection, which may be relevant to this study. Fortune 50 companies diversify their business

portfolios to minimize risk. The fact that the parent company can typically survive financially regardless of any one SBU failure enables special conditions including, but not limited to, the option to keep the unit in operation while new learning and approaches are applied (e.g., restructurings, changes to strategy). Also, due to their size, SBUs house populations of individuals and MLMs who share the same general business context (i.e., working in an underperforming business unit) but where the opportunity for different experiences and interpretations is vast. These attributes provide an interesting and under-researched backdrop for increasing our understanding of business failure.

Considering this context, the term failure is defined in this study as a "deviation from expected and desired results" (Cannon & Edmondson, 2001, p. 162). The goal of using this definition, instead of a more explicit one that includes business termination, is twofold. First, because of the parent company's assets, SBU failure may or may not result in mathematically commensurate resource declines, distinguishing this condition from the narrower categories of companies in decline (McKinley et al., 2014) and businesses that are terminated because they fell short of their goals (McGrath, 1999; Politis & Gabrielsson, 2009). Second, failure is as much a state of mind as it is an externally verifiable condition (Cope, 2011; Ucbasaran et al., 2013) and both circumstances may result in a similar set of implications. Overall, the breadth of this definition invites diversity and creates an opportunity to explore whether similar themes emerge.

In summary, this study aims to mitigate gaps in business failure research by focusing on an under-researched population within a unique setting. Specifically, this study aims to understand: 1) how individuals and MLMs working in Fortune 50 technology company SBU's experience failure and 2) how their belief system about

failure impacted their experience and what they learned from it. Exploring these
questions may provide insights into how individuals and corporations can increase
learning through failure.

Chapter 2: Literature Review

This chapter summarizes research that establishes the broad utility of failure for learning as a core concept upon which additional literature builds. This chapter introduces a framework that will be used for organizing the literature related to this topic, reviews existing research about how individuals experience and learn through failure, and explores the specific category of entrepreneurial learning through business failure. Finally, key gaps in the existing research are identified, along with how this study helps remedy those gaps.

Broad Utility of Failure for Learning

The value of failure as a catalyst for learning and growth has been well-established in learning theory and organizational science. Based on Kolb's (1984) experiential learning model, failure can provoke individuals to re-evaluate and change their cognitive frameworks or scripts, allowing for new interpretations and ways of thinking. Failure, or unexpected results, is valuable because it calls attention to what is not working and encourages a change in one's mental models (Baumard & Starbuck, 2005; Cyert & March, 1963; Ellis et al., 2006; Louis & Sutton, 1991; Sitkin, 1992).

Failure's benefits have also been established in more concrete economic and business terms. McGrath (1999) illustrated that if the negative impacts of failure are mitigated, more learning and experimentation create greater opportunities for success and a higher likelihood of business survival because failure results in people trying to do things differently and engenders more flexibility and diversity in problem-solving and approaches. Flexibility enhances an organization's responsiveness to the environment since there is a pattern of learning and self-correction (Cyert & March, 1963).

In contrast, research posits that when people try to learn from success, they attempt to recreate prior successful conditions, which can yield some benefits but ultimately result in rigidity (Sitkin, 1992; Starbuck, 1983). Other risks of organizational success have been shown to include inattention to new sources of information (i.e., limited scanning and searching), protectionism, process rigidity, and lack of responsiveness to environmental signals (Baumard & Starbuck, 2005; Miller, 1994). Said more bluntly, "Perhaps the most surprising discovery has been that learning from repeated success makes future failure very likely" (Baumard & Starbuck, 2005, p. 283).

Positive deviations from expected results also occur. However, negative deviations present unique conditions for learning (Cannon & Edmondson, 2005). Specifically, where success tends to be rewarded with consistency, "failure challenges current practices and procedures by drawing attention to previously overlooked problems and inconsistencies" (Sitkin, 1992, p. 237).

Research studies have also illustrated tipping points, or variables that affect how valuable a failure experience is for subsequent learning and performance. These studies focus on the magnitude, duration, and frequency of failure. Regarding frequency, enough to evoke attention but not so much as to overwhelm is regarded as a mechanism for learning and improved performance. For example, Weick's (1984) theory of the strategy of small wins stated that complex social problems, which can be psychologically overwhelming, are best tackled when broken down into smaller problems that create opportunities for success. Sitkin (1992) introduced a similar concept of intelligent failure and asserted the need for failures to be large enough to stimulate experimentation and learning but modest enough not to trigger threat rigidity and other protective responses.

Failure detection, which is the first requirement for subsequent learning, has also been shown to be problematic in the case of more minor failures since they are easier to overlook (Cannon & Edmondson, 2005).

Regarding duration, researchers have pointed to the benefits of gradual over accelerated organizational decline to spark awareness that new approaches are needed (Louis & Sutton, 1991; Whetten, 1980). In addition, Shepherd et al.'s (2014) case study involving engineering team members within eight failed R&D projects in a large multinational corporation showed a direct correlation between rapid termination and lower levels of individual learning. In contrast, delayed termination that was expected but proceeded slowly (e.g., creeping death) led to negative emotions that stimulated learning (Shepherd et al., 2014).

Researching workers in the modern gig economy, Ashford et al. (2018) highlighted the unique challenges posed by this segment's typically high-frequency rate of failures and rejections. For this category of workers, the hectic pace of stressors has been shown to increase negative psychological effects and limit individuals' cognitive capacity for sensemaking and learning. Comparatively, the infrequency of failure, or more specifically prior experiences of success, was cited as a driver of successful recovery in entrepreneurs who experienced business failure (Cope, 2011).

This line of tipping point research is interesting in the context of this study because of the research setting. The relatively protected status of the SBU within Fortune 50 technology companies may be a factor in the degree of discomfort and learning that individuals and MLMs experience. Specifically, the slower pace of business decline

within SBUs (given their economic buttressing) may create favorable conditions for learning through failure.

Research Framework

Research on how people and organizations experience and learn through business failure spans multiple domains, including psychology, behavioral science, organizational science, and management science. Additionally, there is no single agreed-upon taxonomy or framework with which to organize failure research. For example, Lattacher and Wdowiak (2020) used Kolb's four-stage experiential learning process to organize their review of entrepreneurial learning literature. Dias and Texeira (2017) developed a framework that maps the entrepreneurial business failure experience end-to-end and includes archetypes for different attribution narratives. Other researchers have forgone any organizing structure altogether.

For simplicity and to normalize the significantly sparser category of literature that explores individual (non-entrepreneurial) experiences of business failure, I borrowed a model established by Ucbasaran et al. (2013) (Figure 1). This structure also maps best to the central questions of this study. How individuals and MLMs experience business unit failure maps to Aftermath, how their beliefs impacted their experience maps to Process (abbreviated from Figure 1), and what they learned maps to Outcomes.

Figure 1

Organizing Schema for Research on Entrepreneurial Business Failure
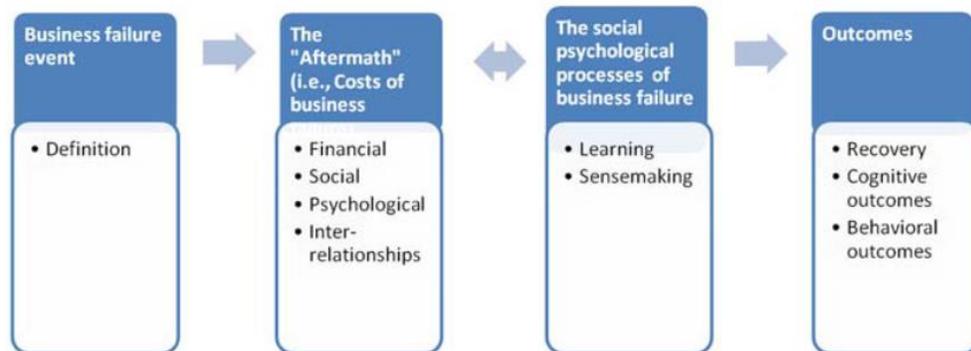
Note. From "Life after business failure: The process and consequences of business failure for entrepreneurs," by D. Ucbasaran, D. A. Shepherd, A. Lockett, A., & S. J. Lyon, 2013, *Journal of Management*, *39*(1), p. 174.

The definition of failure used in this study is a "deviation from expected and desired results" (Cannon & Edmondson, 2001, p. 162). Therefore, the remainder of this chapter will organize individual and entrepreneurial business failure literature into the categories of Aftermath (with an emphasis on those emotional and psychological impacts that influence beliefs), Processes, and Outcomes (Ucbasaran et al., 2013). It is important to note that the field of psychology has studied the impact of failure on individuals more thoroughly than management science has. Each of the following subsections reviews research about how individuals experience failure in broader contexts, integrates what we know from the studies that look at how individuals and MLMs experience business failure, and concludes with the literature focused on entrepreneurs.

Aftermath: Individuals

While the organizing framework separates different stages cleanly and sequentially, a unique aspect of how individuals experience failure is that psychological and emotional impacts are strongly influenced by individual and group belief systems, often developed

from prior sensemaking efforts. This process is iterative, with some research indicating it will continue until an individual is satisfied that their narrative aligns with their understanding of the world and sense of self (Gabriel et al., 2010; Maitlis et al., 2013; Weick, 1995). This creates a recursive feedback loop between how individuals emotionally experience failure and how they process and make sense of that experience, making it difficult to detangle one stage from the other. For simplicity, I followed the sequential model and begin by looking at literature that explores individuals' felt emotions at the time of the failure event, how certain beliefs and conditions influenced those emotions, and how those emotions acted as inputs into the processing stage.

At the most basic level, failure needs to matter for people to feel negative emotions. Mattering can occur because a failure threatens an individual's sense of identity or goals, poses interpersonal dangers such as losing face at the group level, or triggers a reaction based on broader organizational and cultural assumptions about what is and is not acceptable (Hochschild, 1979). Given our social nature, it is likely that all these levels are both active and actively influencing one another in the experience of any one event.

Research has revealed specific universal reaction patterns when failure is enough to elicit negative emotions. These patterns stem from our fundamental need for acceptance and safety. Humans are social animals. The degree to which failure is associated with social isolation is important: "Being held in high regard by others is a strong fundamental human desire... people instinctively ignore or disassociate themselves from their own failures" (Cannon & Edmondson, 2005, p. 302). The underlying belief here is that being seen as unsuccessful puts one's status on the line, which can have negative consequences.

This belief has historically been reinforced through social and organizational practices, including educational assessments and workplace performance management systems.

Negative feelings are linked to typical stress reactions, including reduced scanning for new information, defensive routines that inhibit problem-solving at both the individual and group level (Argyris, 1982, 1985; Argyris & Schön, 1978), and consolidation of information and power resulting in rigidity (Staw et al., 1981; Weick, 1988, 1993). This category of stress and rigidity research is generally bearish on the likelihood of overcoming the threat response and tends to overlook how different individuals and groups respond to similar types of threats (Edmondson, 1999).

Other studies have explored beyond the typical psychological reactions to failure, deepening our understanding of the factors at play. For example, research has examined the impact of personal history and socialization, which can moderate or intensify emotional reactions to threats based on prior experience (Cannon & Edmondson, 2001; Greenglass & Burke, 2001). The nuance here is that an individual's experiences inform a unique set of beliefs about a particular failure event's nature, meaning, and consequences. These beliefs will, typically subconsciously, pre-populate answers to questions like: what does this event mean for my identity and self-worth? What are the consequences of this event likely to be? The benefits?

Within a broader context, Hochschild (1979) showed that societies share feeling rules, or unwritten but commonly held beliefs about the extent, direction (i.e., type), and duration of feelings its members should have about different experiences. These rules are both inherently social and situational. They are subject to influences such as relative power (e.g., manager versus employee) and shared history. This implies that they are

malleable and can be influenced by introducing new behaviors and belief systems into the society or group in question.

Literature has also explored the differences between how people at the group level respond to mistakes and errors. For example, research by Edmondson (1996) highlighted significantly different responses to similar types of failures across eight different nursing teams in two hospitals. This research illustrated how strongly belief systems affect emotions (e.g., fear or curiosity) and behavioral responses, even when the consequences can be fatal, and other variables (e.g., staff training, systems) are controlled.

In their studies of nurses within downsized hospitals, Greenglass and Burke (2001) found that personal history, attributes, and the degree of social support in different groups had a meaningful impact on the level of stress the remaining nurses experienced. Higher perceived agency and social support positively correlated to lower stress levels. High-perceived agency is also linked to a growth mindset, the theory that people who believe they can evolve and learn from their experiences are more resilient, creative, and successful than those who believe they have a fixed set of abilities (Dweck, 2006).

These and other studies helped lay the foundation for additional research on the important role psychological safety, the degree to which people believe it is safe to speak up and discuss a mistake or failure, plays in how people feel and respond to suspected or actual errors and failures (Cannon & Edmondson, 2001, 2005; Edmondson, 1999, 2019). Collectively, these studies suggest that the presence, type, and degree of emotions following a failure event strongly correlate with the experiences, assumptions, and beliefs at both the individual and group levels.

Maitlis et al. (2013) explored how emotional type and severity, or valence, affect the sensemaking process. Their work suggests that the greater the degree of perceived threat and defensiveness (resulting in emotions such as shame and hubris), the less likely productive sensemaking will occur until the individual can de-escalate. This line of research introduces a paradox that connects back to the theme of tipping points. Namely, a failure event and the negative emotions it engenders are essential triggers for exploration and learning, but those same emotional responses also inhibit learning behaviors to varying degrees. "We argued that sensemaking is more likely to be triggered by negative emotions, but now also suggest that once triggered, sensemaking will tend to be more generative to the extent that the sensemaker experiences positive emotion" (Maitlis et al., 2013, p. 232).

While "relatively little is known about posttraumatic growth in "ordinary" work" (Maitlis, 2020, p. 401), Maitlis et al. (2013) showed that negative emotions stemming from adversity at work, when mitigated to tolerable levels, can lead to significant learning and growth. Recent contributions still leave many questions unanswered, including how individuals experience and are impacted by less dire and personally threatening categories of workplace failure (including the focus of this study: non-entrepreneurial business failure), how different groups and organizations react to similar kinds of ordinary work failure and adversity in different ways, and how the continued dismantling of the traditional corporation to employee work relationship plays into individuals' responses of workplace failure (Ashford et al., 2018).

The implication from extant literature is that for sensemaking and learning to occur, an event must provoke enough negative emotion to warrant attention but also be

mediated by enough distance or psychological protection (through growth mindsets, positive emotions, social support, or other mechanisms) to reduce defenses to a tolerable level. Overall, existing research on how individuals psychologically experience (i.e., the aftermath) failure suggests that emotions matter, individual and group experiences and beliefs impact those emotions, and the valence of emotions plays a role in whether and how much sensemaking through failure subsequently occurs.

Aftermath: Entrepreneurs

The potential for risk and reward is significantly higher for entrepreneurs than for individuals and MLMs. Moreover, while they do not have the same potential for earnings and public accolades, the latter category enjoys greater protections (e.g., financial, reputational, social). Therefore, this study reviews entrepreneurial business failure literature with caution and does not presume that results are relevant for individuals and MLMs. This caveat notwithstanding, the entrepreneurial business failure literature category provides some insights that may be relevant to this study's target population.

Research on how entrepreneurs experience the aftermath of business failure points to a spectrum of potentially serious negative consequences, ranging from financial, social, psychological, physiological, and professional (Cope, 2011; Mueller & Shepherd, 2016; Shepherd, 2003). Studies have shown that in the wind-down and immediate period following failure, this population experiences everything from relatively moderate anxiety to more severe impacts, including bankruptcy, depression, and other adverse health conditions (Cope, 2011; Shepherd et al., 2003).

While all the categories of negative consequences are burdensome, the social and psychological aspects have been shown to play a significant role in shaping emotions,

which play a crucial role in subsequent sensemaking and learning. Emotional costs in entrepreneurial literature are inextricably tied to social reasons (i.e., letting others down), which lead to shame and further isolation (Cope, 2011; Ucbasaran et al., 2013). Identity threat and specifically the threat to status posed by the (real or assumed) opinions and beliefs of others loom large. "The research reinforces that failure can include a loss of self-esteem, a sudden reduction in social stature, and a decline in status in the individual's own eyes as well as other people's" (Cope, 2011, p. 612). In this case, the influence of certain social factors, such as shared work history and power dynamics, seems less relevant than for individuals and MLMs. Indeed, they do not figure prominently in extant literature when compared to the explicit or presumed expectations from family, colleagues, and peers, which inform entrepreneurs' beliefs about how acceptable it is or is not to fail (Cope, 2011; Shepherd, 2003; Ucbasaran et al., 2013). These beliefs and their emotional weight appear to influence whether and how effective sensemaking and learning from the failure event occurs.

Perhaps one of the most salient aftermath insights is the presence and impact of grief among entrepreneurs whose businesses have been closed. While not a universal phenomenon, several studies have shown that business failure can result in feelings like losing a loved one (Cope, 2011; Shepherd, 2003, 2009; Shepherd & Cardon, 2009; Singh et al., 2007). This grieving process appears to go beyond the loss of the venture to a loss of self-concept; these entrepreneurs have lost an important idea of whom they believed themselves to be. For example, in their research on the emotional impacts of project failure within entrepreneurial organizations, Shepherd and Cardon (2009) noted a correlation between the degree of psychological ownership and self-identity being

damaged or lost when the initiative failed. When entrepreneurs believe that their self-worth depends on their venture's success, the psychological impacts can be severe.

Hand in hand with these psychological impacts is the activation of threat responses and defensive routines, as well as general overwhelm and cognitive strain since negative emotions pull mental processing away from other activities. More broadly than grief, entrepreneurial failure research highlights the overall importance of offsetting or regulating (e.g., through self-compassion) negative emotions before sensemaking and learning can occur. Achieving a level of emotional equilibrium has been shown to play a pivotal role in entrepreneurs' ability to recover from failure and future learnings and performance (Shepherd, 2003; Shepherd & Cardon, 2009; Shepherd et al., 2011). Failure to process and address grief specifically has been shown to inhibit future learning (Shepherd, 2003).

One specific area of research has explored how the amount of time entrepreneurs spend in loss orientation (confronting and processing negative emotions) versus restoration orientation (avoiding negative emotions by engaging in other work or relationships) impacts the rate and amount of emotional recovery. These studies have shown that oscillating between these two modes and allowing for periods of doing nothing correlates with improved coping and moving forward into productive sensemaking and learning (Byrne & Shepherd, 2015; Cope, 2011; Shepherd, 2003).

This oscillation model connects to the concept of tipping points introduced supra. Studies linking entrepreneurial failure and learning show that, regardless of coping strategy, too little time in failure mode limits negative emotions and subsequent reflection, experimentation, and learning (Shepherd et al., 2011). At the same time, too

much delay in project termination has also been shown to inhibit negative emotions that propel learning (Corbett et al., 2007). This paradox – that prolonged failure can create and inhibit negative emotions that lead to learning – is consistent with findings in individual failure literature and raises the question of whether there is a "sweet spot" of failure duration and, if so, whether that can be intentionally architected. Questions also remain regarding the influence of other factors, including the degree to which an individual cares about the business or project, specific cultural biases about failure, and whether the business is family-run (Shepherd, 2009).

While the differences between individual, MLM, and entrepreneurial aftermaths of business failure are meaningful, this study notes parallel themes of the critical role of emotions, the impact of socially constructed beliefs on those emotions, the relevance of specific emotional valences (e.g., grief), and the importance of emotional de-escalation as a precursor to learning and growth. Overall, we see "that it is not the event itself that determines how critical a business failure is but rather how it is perceived subjectively, and the individual attitude taken to the failure" (Lattacher & Wdowiak, 2020, p. 1119).

Process: Individuals

Learning through adverse situations is facilitated by the sensemaking process. Sensemaking is triggered by confusing or unexpected events and involves both interpreting data from what is happening and acting on those interpretations, which generates new data that informs the ongoing sensemaking process (Maitlis, 2005; Maitlis & Christianson, 2014; Weick, 1988, 1995). Narrative development – creating stories about what is happening – and experimentation are vital aspects of sensemaking.

While sensemaking and learning are closely related, sensemaking is focused on answering the question "What is going on here?" to reach some plausible conclusion. In

contrast, learning focuses on acquiring new knowledge and skills. This section will address relevant aspects of both activities within the umbrella of process, with an implied connection between how we make sense of a situation, how that sensemaking informs searching and experimentation, and how searching and experimentation influence the acquisition of new skills and knowledge.

It is worth noting that sensemaking and learning can have negative or positive connotations. We can make sense of a situation in a way that is isolating or in a way that invites inclusiveness and new ideas. While popular framing of learning is positive, one can also learn how to manipulate or hide information or protect one's position of power at the expense of others. This review does not distinguish between definitions. However, most literature on learning through failure is oriented toward understanding how positive learning outcomes benefit individuals, societies, and organizations.

There is a lengthy and broad canvas of literature exploring how individuals navigate the sensemaking and learning processes. Within that body of work, several themes are salient to how individuals experience and learn from business failure and their beliefs' role in that process. Namely, that sensemaking is deeply coupled with emotions and the socially constructed beliefs that trigger them, that attribution of cause(s) matters, and that the presence of learning structures (i.e., after-event reviews; AERs) and other post-mortem methods) seem to positively impact sensemaking and learning by providing a container for people to co-create new insights through dialogue.

This study has established the close and recursive relationship between emotions, beliefs, and sensemaking. The sensemaking process can begin when individuals have the emotional and cognitive capacity to confront and interpret unexpected events (Weick,

1988, 1995). Here is where the feedback loop gets more complex and malleable: once people begin to make sense of their situation, they act according to that narrative. "Research has shown that when identity is threatened, or even when it simply becomes ambiguous, people respond by working to understand the basis for the challenge, and often to alleviate it by enacting and constructing new accounts of themselves and their organizations" (Maitlis & Christianson, 2014, p. 75).

While research is inconclusive regarding how much sensemaking can occur in a genuinely solitary fashion, many researchers, including me, accept Weick's (1988, 1995) position that sensemaking is deeply impacted by shared social history and dynamics (Weick et al., 2005). Furthermore, since sensemaking is explicitly enacted, it will immediately have some kind of impact (i.e., negative, benign, or positive) on the social environment. Therefore, based on how this feedback loop goes – what kinds of narratives are created, what kinds of social influences contribute to them, what kinds of enacted behaviors are chosen, and what kind of environmental responses are fed back – an individual will move either further from or closer to replacing prior beliefs with new ones (e.g., related to how much power or agency they have in a situation) that help them learn new skills and behaviors that yield positive outcomes. Said more plainly, the stories we tell ourselves are fateful.

Research has shown that how people assign attribution when they make sense of failure impacts actions and subsequent learnings. Specifically, studies have shown that the degree to which individuals categorize the causes of failure across the spectrums of external to internal, temporary to permanent, and isolated to pervasive has a meaningful impact on what happens next (Alloy et al., 1984; Peterson & Seligman, 1984). While

nuances abound, three ends of these spectrums have been combined to describe a negative explanatory style, which is defined as "people who usually explain bad events by causes that are stable in time ('‘it's going to last forever'’), global in effect ('‘it's going to undercut everything that I do'’), and internal ('‘it's me'’)" (Martin-Krumm et al., 2003, p. 1686). The inverse style – failure attribution that tends to be external, temporary, and isolated – is associated with a positive explanatory style. In a study of explanatory style and athletic performance (basketball drills), Martin-Krumm et al. (2003) illustrated a direct relationship between pessimistic explanatory style and poorer performance, alongside the reverse case of positive to positive. This builds upon similar conclusions from sports psychology research (Seligman et al., 1990). Other studies linking explanatory style and sports outcomes have shown contrary results, with a negative style correlating to higher performance levels (Davis & Zaichkowsky, 1998).

Explanatory style is socially influenced and is akin to narrative templates, narrative scripts, and mental models, which have been described as "beliefs that shape inferences, predictions, and decisions about what actions to take; shared mental models help people understand and react to the system in which they work in similar ways" (Cannon & Edmondson, 2001, p. 162). These are all recurring templates that serve as a shortcut for sensemaking. They are typically tacit and hard to change, which suggests that the degree to which the underlying assumptions can be made explicit and challenged, the more flexible they can become. This line of thinking leads to a final point regarding how individuals sense-make and learn through failure, which relates to the benefits of AERs and other formal post-mortem structures. Since sensemaking is inherently social and "situations, organizations, and environments are talked into existence" (Weick, 2005, p.

409), it appears that having explicit group processes for sensemaking can help lower threat responses and help bring tacit beliefs into the light where they can be explored and transformed in helpful ways.

Some research on AERs has shown their increased benefits when applied to examining errors that occur during an ultimately successful experience:

> The notion of "psychological safety" … may shed light on the impressive progress of learners under FAER [failure-focused after-event review] after a successful event from a different angle. One may argue that after successful events, learners feel more secure in discussing their errors and more willing to draw lessons from these data.
>
> (Ellis et al., 2006, p. 677)

A study of the effects of after-action reviews (which are the same concept as AERs) within military units showed that while performance increased regardless of the type of review, those focused on learning through errors made during a successful field exercise led to superior outcomes (Ellis & Davidi, 2005). Regardless of which scenario they use to learn through errors, AERs are prevalent in military, medical, public safety, and other domains because they have been shown to be reliably effective in improving decision-making and performance and creating new processes, mental models, and cognitive scripts that guide successful behavior.

A key reason that AERs have been associated with effective analysis and positive outcomes is that they prioritize the act of learning above the results of the event being studied, which allows people to deal with failure systematically and, through the collection of multiple sources of data and opinions, with a relatively objective lens (Cannon & Edmondson, 2005). For example, a study of the impact of post-failure

emotions among research scientists in 12 different institutions found that "wounds are shallower for those who perceive that their organization normalizes failure" (Shepherd et al., 2011, p. 1229). Shallower wounds were then positively correlated with the speed of emotional recovery and improved learning outcomes. These studies corroborate other research (Edmondson,1999), illustrating the important impact of positive emotion on mitigating threat responses to support productive learning through failure.

Much of the insight into how individuals sense-make and learn through failure comes from broad psychology research or specific contexts (e.g., sports events, military exercises) that include a sense of urgency, are concrete (i.e., they employ clear definitions of winning, and losing), and are time-bound. We know much less about how these influences play out in the opaquer context of business failure over time.

Process: Entrepreneurs

Beyond the social and emotional realms, other factors have been shown to support or inhibit effective sensemaking and learning from entrepreneurial failure, including prior knowledge and successes and cognitive rigidity, including groupthink. The former may be a stronger determinant for serial entrepreneurs whose track record is an explicit factor in whether they can secure future investments. Those who succeed get to play again. The latter is likely more pronounced in cases of intrapreneurial failure, where other corporate leaders' beliefs and opinions are influential.

Mueller and Shepherd (2016) showed that earlier successes mitigated the benefits of learning through failure, suggesting that, with experience, the benefits of learning through success can approximate those that come from failure. In this scenario, "failure experience is not necessarily a superior vehicle to learning; rather, different types of

experience can serve as alternate sources for similar knowledge" (Mueller & Shepherd, 2016, p. 8). An alternative interpretation could be that prior success caused these individuals to assess failure as a fluke unworthy of deeper attention.

Baumard and Starbuck (2005) researched 14 strategic failures within a large European telecommunications company and found that in the cases of smaller failures, which received less scrutiny, "evidence that contradicted core beliefs was discarded, and top managers who had keen interests in maintaining core beliefs either chose experiments that were likely to sustain these beliefs, or assigned experiments that threatened these beliefs to people who were likely to fail" (p. 290). Significant failures did not fare much better, with the internal leaders ascribing primarily exogenous forces (e.g., changes in consumer behavior) as the reasons for the failure, missing the opportunity to detect and address internal shortcomings.

The degree of prior professional knowledge, including both entrepreneurial success and failure experiences, is influential because "the entrepreneur chooses his actions with probabilities that are proportional to his current confidence in each action and learning takes place as these probabilities are updated" (Minniti & Bygrave, 2001, p. 10). Research indicates that too little and too much prior experience of either type can reduce the amount of new sensemaking and learning, causing entrepreneurs to rely on frequently tacit cognition scripts to guide their thinking and decision-making. For example, studying corporate entrepreneurs in decision-making positions over R&D ventures, Corbett et al. (2007) identified three types of cognitive scripts used to decide when to shut down a failing venture: strategic, undisciplined, and innovation drift (i.e., delayed termination). Of these three, only the strategic script involved structure and process (e.g., examination

of data at certain milestones) and could be explicitly examined (as opposed to the other two, which were tacit). It was also the script that yielded the greatest amount of learning: "We found that the strategic termination script led to maximized learning because the corporate entrepreneur was willing to reflect on what went wrong and to capture the learning in order to move forward to future projects" (Corbett et al., 2007, p. 839).

The research on entrepreneurial cognitive scripts and how they are formed and influenced by cognitive styles and other factors is richer than the focus of this paper. The relevant points are that different kinds of cognitive scripts are always at play, the type of script used impacts sensemaking, decision-making, and subsequent learning, and scripts can be improved through process and structure. This last point connects to the topic of attribution, which is prevalent in the entrepreneurial business failure literature. As mentioned, hubris stemming from prior successes and other factors can cause leaders to over-emphasize external causes for failure, limiting the opportunities for re-evaluating beliefs and behaviors (Baumard & Starbuck, 2005). This suggests that when reputation and core beliefs are threatened without counteracting mechanisms (e.g., AERs), protectionism of identity and beliefs will likely lead to gaps in internal attribution.

Weak attribution accuracy can have any number of other causes, including organizational culture, complexity, individual or collective capability, and existing processes. Regardless of the cause, when companies terminate failing projects or businesses quickly and immediately fire or re-allocate the people involved, the opportunity for reflection and sensemaking is limited because people move on cognitively to the next project or opportunity (Corbett et al., 2007; Shepherd et al., 2014). This reinforces the value of operationalizing (in addition to action-learning processes that

enable people to learn throughout the lifecycle of a venture) AERs as a standard procedure, regardless of termination reason (e.g., successful spin-offs). As shown in the individual failure literature, AERs help bring tacit beliefs into the light where sensemaking can explore and transform them into new behaviors and more positive future outcomes (Weick et al., 2005).

Outcomes: Individuals

Literature on outcomes in the form of recovery and new cognitions and behaviors for non-entrepreneurial individuals following experiences of adversity in ordinary work is slender. Some insights in this area can be derived from studies focusing on individuals' experiences of posttraumatic growth (PTG) (e.g., bereavement, military combat, physical trauma, and natural disasters). These studies have identified a range of outcomes that can result for individuals who have experienced and made some sense of their trauma (Tedeschi & Calhoun, 1995, 1996; Tedeschi et al., 2018). While I have no desire to minimize the degree of suffering and potential long-term negative consequences of trauma, studies illustrate that meaningful growth through adversity can occur when self-protective mechanisms are lowered sufficiently for emotional coping and sensemaking to be navigated successfully (Tedeschi & Calhoun, 1995, 1996; Tedeschi et al., 2018).

The PTG literature has shown that seismic life events that are significant enough to trigger a reframing of one's personal narrative and belief system can ultimately yield an array of gains (Tedeschi, 2014; Tedeschi & Calhoun, 1996). According to Tedeschi and Calhoun's (1996) Posttraumatic Growth Index, these gains typically fall into the categories of improved relationships, new possibilities in life, increased sense of personal strength, spiritual growth, and a greater appreciation for life.

While these growth outcomes are possible, they are neither inevitable nor necessary for individuals to recover from trauma. Many people can recover from distressing experiences and then return to their previous levels of health and functioning without experiencing PTG (Bonanno, 2008; Tedeschi, 2014). Researchers are careful to point out that while the trauma event itself is the catalyst for growth, it is the process an individual goes through to come to terms with the situation, confront and change prior beliefs, and gain confidence in their personal strength that leads to growth (Tedeschi, 2014). This ties back to research on the broad utility of failure, which emphasizes experimentation and changes in process or behavior and increased resilience and willingness to try new approaches, ultimately a predictor of longer-term performance (Sitkin, 1992).

Maitlis (2020) showed that adverse events such as a demotion or workplace retaliation could, like more traditional sources of trauma, stimulate new ways of thinking, improved perception of self, and other positive changes. While these benefits come with emotional, behavioral, and cognitive taxes, challenges, and conditions, we do not gain the rewards automatically. "It is somewhat miraculous that research shows that people can not only recover from terrible adversity but potentially reap from it, showing the extraordinary strength and creativity that characterizes humanity at its best" (Maitlis, 2020, p. 414).

In summary, the literature illustrates individuals' diverse challenges and complexities as they experience, sense-make, and recover from failure. Learning and growth from failure are not guaranteed, and certain factors (e.g., social context, emotional valence, sensemaking scripts, processes) appear to play critical roles in how much subsequent learning and growth occur. Embracing a growth mindset encourages curiosity, which in

turn creates opportunities for learning. Moreover, since humans are social creatures and participate in social sensemaking and learning, it is virtually impossible to detangle the individual experience from its social context.

The fields of psychology and PTG research specifically have also shown an array of potential growth outcomes that can occur when individuals can emotionally navigate adverse events, confront their prior beliefs, and create new ones. However, these gains are not guaranteed, and obstacles to narrative re-architecture abound, including, but not limited to, social influences such as dominant narratives about individual status and expected cognitions and behaviors (Neimeyer, 2004).

What is less clear is the degree to which individuals can consciously shape their experience and sensemaking of failure in the context of shared history, power differences, and other social factors. There are also significant gaps in our understanding of how individuals and MLMs experience and learn through business failure, as opposed to an individual error or event, in ordinary work. These gaps lead us to explore the neighboring entrepreneurial business failure research category.

Outcomes: Entrepreneurs

Entrepreneurial studies have associated both qualitative (e.g., diminished reported self-efficacy, risk aversion) and quantitative outcomes from business failure, including whether individuals created new successful businesses or recovered financially from their losses (Dias & Teixeira, 2017; Ucbasaran et al., 2013; Yamakawa et al., 2015). As in the initial aftermath stage, longer-term outcomes among entrepreneurs vary widely, with some reporting they experienced neither lasting professional costs nor meaningful benefits related to their failures (Cope, 2011).

In addition to attribution and other elements covered in the previous section, key factors such as intrinsic motivation levels (Yamakawa et al., 2015), intense relief leading to immediate moving on (Dias & Teixeira, 2017), and professional background (Cope, 2011) have been shown to impact post-failure recovery and outcomes. That said, emotional coping and its relationship to subsequent learning and outcomes continue to loom large in research (Cope, 2011; Mueller & Shepherd, 2016; Shepherd, 2003; Shepherd & Cardon, 2009). It is, therefore, unsurprising that more cognitive-oriented positive outcomes seem easier to come by given the powerful negative emotions provoked by entrepreneurial business failure. "Findings suggest that more coping and learning occurs in the economic aspect of failed entrepreneurs' lives in comparison to the social, psychological and physiological aspects" (Singh et al., 2007, p. 331).

The results are overwhelmingly positive for entrepreneurs who successfully navigate the full spectrum of negative impacts. Numerous entrepreneurs studied went on to launch multiple successful businesses. And, while the entrepreneurial research this study canvassed was not performed within the PTG framework, many participants described outcomes that align with Tedeschi and Calhoun's (1996) Posttraumatic Growth Index, including new possibilities in life and increased sense of personal strength (Cope, 2011; Singh et al., 2007).

Gaps in Existing Research

This study's survey of the research spanning learning theory, psychology, management, and organizational science illustrates that a foundation has been laid for understanding the broad utility of failure as a catalyst for learning and critical aspects of how learning through failure occurs among individuals and groups. In particular, the roles

that emotions and socially constructed beliefs play in how people experience failure have been well documented, and the concept of tipping points has been reviewed. Research on contributing factors such as failure attribution and learning processes has also shed light on how people and organizations can increase learning through failure. Entrepreneurial business failure literature has provided more concrete data and insight into how this population experiences, processes, and emerges from business failure. However, little literature exists that explores the lived experiences of non-entrepreneur individuals and MLMs who experience business failure. Extant research on PTG among individuals may be relevant. However, there is too much difference between trauma, traumatic work, and ordinary work to support the direct relevance of this research to business failure. Given the many ways (e.g., power dynamics, risks, rewards) individuals and MLMs differ from entrepreneurs, I was similarly skeptical about assuming that entrepreneurial business failure literature represents the experiences of this study's target population.

Finally, significant gaps exist in the literature on underperforming SBUs in large technology companies. My search for research exploring individuals' and MLMs lived experiences of failure within the specific context of SBUs yielded no results. Therefore, this study will contribute to academic literature through its focus on individual and MLMs working in underperforming Fortune 50 technology company SBUs.

Chapter 3: Research Method

This study aimed to explore how individuals and MLMs experience and respond to periods of business failure. Specifically, this study sought to understand: 1) people's experience of failure in Fortune 50 technology company SBUs and 2) how their belief system about failure impacted their experience and what they learned from it. The hope was that exploring these questions would provide insights into how individuals and corporations can increase learning through failure. This chapter describes the research method and design, including research site and participant selection, research questions, data collection methods, and data analysis approach.

Sample

This study comprised of 15 current or former employees of the same U.S. Fortune 50 technology company. All participants had worked in a failing SBU for two or more consecutive years and were neither engineers nor members of the senior-most leadership team during that time. While this study did not capture or analyze results based on demographics, nine men and six women were interviewed. All the subjects' experiences occurred within the last 15 years.

Several parameters were chosen to ensure participants met the criteria for exploring the study's research questions. First, people were recruited from SBUs in Fortune 50 technology companies headquartered in the U.S. This study focused on Fortune 50 technology companies because they have the capital and scale of resources that enable underperforming SBUs to be sustained for long periods. The SBU construct also created important conditions for this research, such as the clarity of being a member of the failing unit and the relative safety of working in a much larger, financially sound organization.

These conditions may be relevant to the insights gained in this research. At a minimum, they established commonalities from which shared or divergent themes can be viewed.

Twenty-five potential candidates were interviewed, and 15 interview subjects were selected. The decision to interview 15 subjects was to allow for a range of backgrounds and expressed experiences while remaining practical for the period of this study. And, since this study aimed to explore individuals' lived experiences across various companies, SBUs, and role types, interviewing fewer subjects would not have been beneficial.

During the screening process, potential candidates were asked to self-identify as meeting several requirements. The first requirement was that they currently or previously worked in a Fortune 50 technology company SBU that was widely understood to be failing for two or more consecutive years. The rationale for limiting participants to those who worked in a failing SBU for two or more consecutive years was to normalize across subjects and to ensure time in the role was sufficient to provoke potential discomfort, learning, and experimentation. Without disclosing any financial or other proprietary business data, potential subjects were asked to confirm that the SBU is or was commonly understood by company employees to be failing or chronically underperforming and that divergent opinions about the unit's health would be unlikely.

The second requirement was that subjects were not a member of the senior-most leadership team of that SBU (e.g., CVP or above). The reasons for excluding the senior-most leaders of the SBU were due to the unique decision-making authority and various protections afforded these people. Existing research is also heavily focused on this population alongside founding entrepreneurs. This research sought to expand the existing literature to include the broader population of individual contributors and managers.

Next, subjects were asked to confirm that they were not employed in an engineering profession during the failure period. There were two reasons for excluding engineers. First, studies have shown that people in this profession have unique motivators, such as the opportunity to work on new and complex projects, irrespective of success (Shepherd et al., 2014). Second, because they are in high demand, engineering roles are typically protected from other risks associated with failures, such as reputational harm or lay-offs.

It is worth noting that while candidates were sought from various Fortune 50 technology companies, the final 15 interview subjects were all employees of the same company. However, since this research design was not focused on understanding factors unique to a particular company, and since the subjects worked for different business units at different times, no inferences were drawn about whether these subjects' experiences are unique to that organization.

Procedures

Potential subjects were solicited through a LinkedIn post and emails sent to members of my network. These communications summarized the purpose of the research study, the target participant profile, and confidentiality measures. Potential interviewees who responded with interest were then emailed a more detailed summary of the research project and purpose, confirmation of the time commitment (60 minutes), compensation model (none), and information about confidentiality. They were asked to respond with positive confirmation if they met all the criteria and wanted to participate (Appendix A). If candidates agreed that they met the study criteria and chose to participate, they were sent a Consent Form and asked to provide signature confirmation that they understood and agreed to the terms of the study (Appendix B).

Since this study sought to understand individuals' lived experiences, interview questions were designed to be open-ended and non-evaluative (Appendix C), and the number of questions was limited to six. This limit allowed time for subjects to respond and answer follow-up questions intended to elicit deeper reflection and richer responses.

After subjects described their overall experience, they were asked to share their typical thoughts, feelings, and behaviors during the period in question. The purpose of this question was to involve the individual in the sensemaking process further and to elicit insights and potential correlations between thoughts, emotions, behavior, and learning. Subjects were then asked to describe their dominant beliefs about failure both during and after the experience (assuming their experience had concluded; for individuals who were still working in the failing SBU environment, they were asked if and how their beliefs have changed so far in their experience). Subjects were then asked what they learned from the experience. If only technical answers were provided (e.g., "I learned how to write a good marketing brief"), interviewees were probed for 'what else?' They were not prompted specifically for social or emotional learning. They were then asked about what, if any, longer-term impacts the experience had on the individual. This question was asked without examples (e.g., reputational threat). The last question asked if there were any other salient points the subject wanted to share about their experience. Table 1 shows how research questions were connected to the interview questions.

Table 1

Research & Interview Question Correlation

Interview Questions	Corresponding Research Question
• Can you tell me about your experience? • What were some of your typical thoughts, feelings, and behaviors during this period?	How did individuals experience failure in Fortune 50 technology company SBUs?
• What were your common beliefs about failure before this experience? After? • What did you learn from this experience? • What, if any, longer-term impacts has this experience had on you? • Is there anything else you'd like to share that is relevant to this experience?	How did these individuals' belief system about failure impact their experience and what they learned from it?

Analytic Approach

This study employed a qualitative research method to understand participants' narratives in their own words. The phenomenological approach was selected to elicit descriptions that captured the essence of the subjects' lived experiences (Cresswell & Cresswell, 2018) and was appropriate for three additional reasons. First, I sought to mitigate potential negative emotions associated with anti-failure bias or other causes. Since phenomenology is inherently non-evaluative, this approach was deemed appropriate. Second, there is little literature exploring the failure experience of individuals who are neither entrepreneurs/business owners nor the senior-most executives within a company. Phenomenology was selected to gain additional insights into the lived experiences of people in this under-researched population. Third, the approach was

practical given the need to conduct interviews with subjects virtually over videoconferencing and without compensation.

Interviews with each subject were recorded and digitally transcribed. After transcription, the results were manually reviewed and coded in a digital data analysis program. During this process, recurring patterns and themes were sought in the subjects' descriptions of their lived experiences, paying attention to the emotions, beliefs, sensemaking, and learning processes that were addressed through the interview questions and any unexpected themes. Informed by the literature review, particular attention was paid to the presence and prevalence of references to positive and negative emotions.

After the initial coding was complete, another researcher independently coded several interviews, providing an unbiased set of alternatives. Then, the results of both efforts were compared and combined to create one coding methodology within the digital program. Initially, the codes were not organized into the Aftermath, Processes, and Outcomes schema that this study adopted (Ucbasaran, et al., 2013). However, the final coding aligned with this framework, with only a few codes (e.g., beliefs, which spanned all three categories and thus were coded for pre- and post-experience) sitting outside. As a result, and to support ease of comparison with topics from the literature review, I organized the results under these second-order constructs, adding sections for Incoming and Updated Beliefs. Finally, data were summarized, analyzed, and interpreted for the most prevalent themes, key differences and anomalies were noted, and exemplar quotes from interviews were added to each relevant section.

Chapter 4: Results

Figure 2 outlines the organizing framework used for this study's data analysis, which aligns with the schema used in the literature review (Ucbasaran et al., 2013). The original schema was modified to include the categories of incoming and updated beliefs. This structure allowed for comparisons of how the subjects described their typical beliefs about business failure before and after their experience. While no definitive conclusions could be drawn from this analysis, adding these categories surfaced several potential patterns for further exploration.

Figure 2

Framework Used for Data Analysis
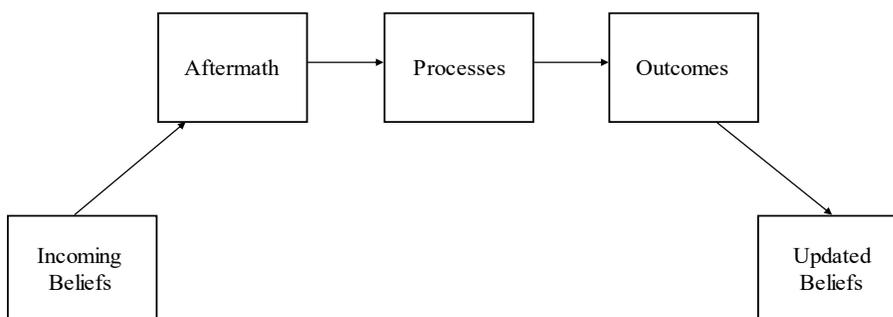
Incoming Beliefs

Overall, respondents shared that they did not have particularly fixed beliefs about business failure prior to the experience. However, there was a thread of self-professed naiveté about the complexity of typical causes and "whether it can happen here." Nearly half (seven) of the respondents believed business failure was usually the result of bad customer and product fit. They noted that they thought those problems should be relatively easy to overcome. These subjects also attributed failing to address product fit

issues to a lack of care or incompetence. One participant said, "to be perfectly candid, I wondered what the heck those product teams were doing" and "[they're] developing something without truly understanding the market and it just fails."

Another seven participants pointed to poor leadership and a lack of willingness to do the right thing as the typical cause of business failure. This group included respondents who said that leaders "half-assing" their commitment to the business were to blame: "They're [leadership] just not doing a good job." Within this group, "lack of courage" was mentioned on multiple occasions, linked to an assumption that leaders must be aware of their mistakes and, therefore, failure to correct them is due to a reluctance to take accountability.

In the "whether it can happen here" category, several people stated they believed in their unit's ability to persevere, using phrases like "we were blissfully unaware" that failure was possible. A belief that certain businesses were "too big to go under" also surfaced. Counter-balancing the sentiment that failure was due to poor senior leadership, some participants said they believed the people at the top were too capable to let a venture fail: "I just had a blind belief that if you're a VP or above at [Fortune 50] company… that the top knew what they were doing."

An interesting sub-thread arose from participants who had previously suffered entrepreneurial business losses. Specifically, four participants (three as founders, one as an early-stage employee) said their prior experience helped them appreciate how difficult it is to run a successful business and that they were grateful for the income and financial safety their role afforded them. Within this group, there was a sentiment that "they had a good deal," and whether the business was hitting its goals was less critical than other

factors, such as working on something they believed in, working with people they enjoyed, and doing the best job they could under the circumstances. One participant said, "I kind of have a ditch-digging philosophy. It's like, hey if you're in the ditches with the right people, you just keep digging." These former entrepreneurs' incoming beliefs about failure more closely mirrored the other respondents updated beliefs.

Notably, little mention was made of external causes of failure as part of subjects' incoming beliefs, as opposed to peoples' (especially leaders') inability to predict, avoid, or recover from those forces. Aside from three subjects saying that ignoring product/ customer fit allowed competitors to gain an advantage, none of the respondents mentioned changes in consumer behavior, economic factors, or other exogenous causes among incoming beliefs about why businesses typically fail. This omission may suggest that these respondents entered their experiences optimistic that competent, committed individuals and leaders would be able to prevent external factors from disrupting success.

Aftermath

In response to the prompts "Tell me about your experience" and "What were some of your typical thoughts, feelings, and behaviors during this period?" participants provided a narrative about the event and how it impacted them. No further direction was given, allowing for a broad canvas of responses. The themes that emerged across subjects included negative emotions linked to increased workload and stress, frustration with leadership, and low perceived agency. A thread of positive emotions associated with connection to a larger purpose or connection to their colleagues was also present. Overall, while all respondents initially described at least some negative feelings and consequences of working in a failing SBU, the severity of those consequences was generally mild.

A majority (*n* = 10) of the respondents noted increased workload and stress because their business group attempted to diagnose and turn around business performance, including cases where a series of cost-cutting measures, including layoffs, within the group resulted in more work and emotional churn for the remaining employees. Some people acknowledged that a portion of their increased work was self-induced because being busy meant they "did not have to look at the oncoming train" or because they hoped they could figure out some way to help reverse the downward trend. Within this group, several interviewees also mentioned emotions ranging from embarrassment to disillusionment and demoralization. These people shared that continuing to work hard on a chronically underperforming business made it feel like their work was useless and that "no one cared." One described feelings of anxiety as top talent started to leave the business to work elsewhere: "The sexy people were leaving the party." Another shared an experience where, during an end-of-year performance review, their manager pointed to the significant labor that person had contributed and asked, "If you had done nothing, would the results be any different?" Echoing existing failure literature, these respondents also spoke about these negative feelings as important precursors to seeking other sources of meaning and satisfaction in their work.

Nine respondents shared emotions ranging from frustration to shock and anger due to actions and decisions made by senior leaders. These feelings were directed at leadership within the SBU and other top decision-makers within the company who were seen as contributing to its underperformance through neglect. Some harsher criticism was relayed in narratives that described hubris and ignorance leading to critical and irreversible

business errors. In these stories, leaders were portrayed as more concerned with winning some point (typically against a competitor) than delivering value.

In this group, statements that those at the top "lacked courage" appeared multiple times. While the sentiments in this subcategory were generally more moderate than those about ego, these subjects expressed frustration with decision-makers more focused on "not being wrong than being right." This thread was present for many of the same subjects in their comments about incoming beliefs, suggesting there may be some blurred recollections or confirmation bias at play. Regardless, a perceived lack of leadership accountability and willingness to speak up and act provoked some of the more negative emotional responses.

The degree to which people believed they were either "a cog" or had a "seat at the table" impacted the frequency and severity of negative emotions, with over half of respondents saying that one of these conditions was a meaningful aspect of their experience. Differences in perceived agency included role-specific factors (e.g., a communications lead had access to higher-level conversations by necessity) but spanned both individuals and MLMs. Being an MLM did not increase perceived agency.

Those who felt like they "were just cogs" used the most negative descriptors in their stories and spoke of no one listening when they said, "The emperor had no clothes." Their accounts included examples of being told what to do despite knowing better and feeling like their work was useless. Unsurprisingly, this group also shared some of the strongest negative emotions (including anger) about senior leadership. In contrast, access to more senior-level decision-makers and information positively impacted the ability to rise above daily frustrations and stay focused on what was important.

Despite the frustrations and stress associated with working in a struggling business, all but one respondent had at least some positive things to say about the immediate aftermath of their experience. The most common examples were related to a purpose that transcended immediate business results, including the opportunity to grow their skills and experiences, dedication to the broader industry or mission of the business, and positive feelings of camaraderie and strengthened relationships with colleagues. Several respondents had chosen their roles exclusively based on the business mission (as opposed to others who took roles because the company asked them to or because of perceived upside opportunity). For that group, references to positive emotions were higher.

Compared to the literature on entrepreneurial failure, which cites multiple categories of adverse effects of business failure ranging from financial to psychological and physical, subjects in this study talked primarily about the psychological (emotional) effects of working in a failing SBU. However, three of 15 subjects said they suffered reputational and financial losses because of their experience. Two of three cited delayed promotional velocity and lower rewards (e.g., bonuses), and the third credited their eventual layoff from the company as being due (at least in part) to the fact they had frequently voiced their frustrations about decision-making with senior leadership. A fourth was suspicious but uncertain; the rest either did not mention impacts in this category or specifically said that the experience had not harmed them in this way.

Only two respondents mentioned negative physical impacts stemming from their experiences. However, they featured prominently in their narratives and ranged from multiple miscarriages to headaches, hair loss, and grinding teeth. In both cases, the failure experiences were highly visible and protracted examples of "falling from great heights"

of success over multiple years, resulting in the termination of the business unit. However, given the low sample size, it is impossible to speculate further about any causality. Table 2 shows emerging themes from the Aftermath category.

Table 2

SBU Failure Aftermath Emerging Themes

Category	Emerging Theme(s)	Supporting Quotes
Psychological (Negative)	Increased workload/ stress	"You're trying to work across teams that are in a little bit of a frenzy, and you're trying to stay calm yourself, and you're trying to keep your team calm at the same time. So, it was just very stressful and upsetting." "I continually felt like I was trying to overperform or to do something additional because there were fewer people doing it. We had the same things we needed to do as [comparable business] but just way fewer resources." "And so there were just these kinds of constant moments that every couple [of] months there would be another moment that we would have to reduce staff, you know, ramp down programs. And so, we were constantly just moving from moment to moment."
	Frustration with leadership	"I think one of my biggest frustrations was no one was willing to get up and say what we're doing here isn't working. If we don't learn, that's the biggest failure, in my opinion." "I just remember thinking, man, somebody better lose their job over this." "And I was getting in trouble. Like, do you know who he is? I'm like, I think he's stupid. And his boss is even worse if he's sending him out here to do this bidding."
	Low perceived agency	"I felt like I was just another cog. So that felt really crappy. And, you know, it made me angry. So that was demotivating until I kind of got to a point of acceptance." "Obviously, I was so low on the totem pole. Nobody cared what I thought. They were just like, just go do it, you know."
Psychological (Positive)	Connection to greater purpose and colleagues	"I'm sort of a nerd. A lot of this stuff I read in books or learned through grad school …to be able to apply it in real-life situations was really fun for me. I really did enjoy that aspect of it." "OK. Now I'm gonna get really poetic on you. It doesn't really matter in [this business] what the metrics say. It matters because we are contributing to [this business mission] … whatever little success we have." "There's still a lot of value in fighting the fight with the people you work with every day and competing hard… even if it seems like you're not gonna win."

Processes

In response to the prompts, "What were some of your typical thoughts, feelings, and behaviors during this period?" and "What did you learn from this experience?" respondents reflected on their sensemaking and learning processes. As in other areas of the interview narratives, subjects tended to skip around in terms of topics and timetables, making it unwise to draw too many concrete conclusions about causal relationships between behaviors and learning. Regardless, themes emerged in three areas: the impacts (both positive and negative) of prolonged experimentation, the importance of separating self from work, and a lack of structures or processes for attribution and learning.

A majority ($n = 12$) of the respondents spoke about the importance of having time to research and experiment with alternative approaches in their learning journey. For some people, this searching process spanned as many as 10 years for businesses in slow decline (or was still in progress) as they investigated multiple angles to turn around business performance. Overall, this work was characterized as difficult and slow but important, with several subjects articulating feelings of deep pride and satisfaction in both the learning and the learning process itself. A key sub-thread in these narratives was the social aspect, with multiple respondents speaking of the feeling of camaraderie and connection with colleagues built over a sustained and challenging period.

Multiple subjects shared their frustration with business declines that seemed to lack structure and extend beyond the point of usefulness. They spoke for leadership to "just call it" and not let these businesses continue to linger when the "writing was on the wall." Additionally, cases where experimentation was done in isolation or in areas of the business where "no one seemed to care" – while still seen as valuable – carried less

positive sentiment. These respondents described withdrawing from their work, feeling like "they were on an island" and having to make concerted efforts to stay engaged.

Three people whose sensemaking and learning opportunities were cut short abruptly (e.g., moving from business termination to redeployment within days) shared the fewest positive learning stories. These people also tended to share more negative emotions about leadership. It is possible that this was because certain decisions at the top were indeed more disastrous. However, these respondents specifically mentioned frustrations with their rapid redeployment onto other projects and an absence of AERs or other formal learning processes. The feeling that "no one was talking about the person who just died" contributed to a sense that an opportunity for reflection and learning had been missed.

Another prevalent theme involved respondents describing a conscious process of separating themselves from the work as a means of psychological protection. These narratives bridged both "disassociation" from the business to gain distance and perspective and the narrative replacement of some other goal (often learning) above the business outcome goals. Eight respondents talked about this process in varying degrees of length. Across these respondents, this separation seemed to be an important step both in coping with negative emotions stemming from the experience and in crafting a narrative about "what really matters here is that I…" which allowed them to create a more expansive idea than the official metrics of business success or failure.

Regarding how subjects described making sense and attributing causality to their SBU's underperformance, the most common factor outside of quarterly business reviews, which kept a narrower focus, was a lack of structures and processes for doing so. None of the respondents referenced specific post-mortem frameworks and several explicitly

commented on their absence. In place of more formal approaches, in addition to the processes of sensemaking and learning through experimentation referenced above, some respondents described being influenced by their direct manager and other leaders in the business. The impact of those individuals on the story of "what was really going on" in the business varied as well, with some promising new approaches and longer-range analysis of the business strategy and others focused on pursuing short-term corrective actions tied to existing business metrics.

When respondents did talk about attribution of failure, they placed the root causes primarily internal to the organization, with 12 citing various challenges with strategy/ product fit and 10 noting failures within leadership. These narratives were often intertwined – leaders were seen as missing important signals or pursuing competing priorities or agendas that caused them to act in a way that was counter to the SBU's goals. The theme of hubris also showed up in these accounts, as several subjects referred to prior success and a belief that "we have always succeeded in the past" as a reason executives failed to pay closer attention to strategy and competitive threats. It would be interesting to know how much the imprecision in attribution contributed to the expansiveness and duration of searching and experimentation. No direct connection could be made from the data available.

Perhaps unsurprisingly, given the individual and MLM populations, there were fewer mentions of personal reasons that might have contributed to poor business performance. In four cases, subjects referenced looking to their behavior as an area for improvement, such as noting when they had become disengaged or could try new approaches for trust-building and collaboration. Table 3 highlights processes emerging themes.

Table 3

SBU Failure Processes Emerging Themes

Category	Emerging Theme(s)	Supporting Quotes
Learning	Impact of prolonged decline	"Even though it's not glamorous work, it does feel gratifying because now we're doing the work to really understand what needs to be fixed in the business and what's causing what, what are the some of the root causes." "I think the brainstorming was draining because you're trying to solve problems with the same internal pressures. But then you find the nugget of success, and that was very energizing." "[Senior executive] is in my ear right now saying, you know, fail fast, learn, and move on. We have both failed fast and failed in the long game. Failed fast and failed slow. Uh, and we haven't moved on."
Sensemaking	Separation of self from work	"OK. So then, why is it still motivating for me to work on this business? If I can see the Titanic is sinking, why stay on board? So, behaviorally I disassociated myself from the outcome." "At the end of the day, some decisions aren't mine, and I gotta live with that. And you know what? I'm OK with that because the deal that I have was on top of the financial opportunity along with the people I got to work with. I didn't really focus on the macro part of the business as much. It wasn't as important anymore."
Sensemaking	Lack of structures for sensemaking and attribution	"I mean, it kind of evolved, right? My sense of [what was going on in the business] changed as I got new information. And it wasn't, you know, offered up. It was more like me reading tea leaves a little bit, having discussions, and then floating ideas to other people." "It's interesting because I remember an offsite that we had. I forget what the what the book was, but we all had to read it, and then we all had to come together, and then we all had to talk about how we are going to really change the model and do something different. But I think the, you know, that lack of process, how you operationalize something or how you move something big like that through an organization was just missing."

Outcomes

Participants were asked what long-term impacts they believe their experience had on them and were prompted to add any relevant details. The responses and themes that emerged across respondents were generally positive. They included increased self-confidence and resilience, a greater sense of purpose and meaning, and new business skills and insights. Only one respondent reported that while they did not incur any long-term negative impacts, the experience was unpleasant and unrewarding. Similarly, only one participant said their experience had been "life changing." Most positive comments were more modest.

Fourteen subjects spoke about gaining confidence through their business failure experience. The tenor of these comments ranged from moderate to strong in the case of three individuals who had experienced some of the most protracted and publicly visible business shutdowns. For this subset, there was a sense that they had gone through a trial by fire and had come through with a stronger sense of their identity, values, and worth and were going do things "on their terms" in the future.

Eight participants spoke of deepened connections to meaning and purpose, mentioning themes like those reviewed in the aftermath category, including pride in contributing to a specific business mission (including at the broader company level) and a sense of increased personal mastery. However, most comments were about increased empathy and connections with others. At the end of the day, for these subjects reflecting on experiences both past and present, the quality of the relationships forged through difficult business circumstances had a lasting impact.

Most (*n* = 10) participants referenced improved business skills and insights as long-term gains from their experience. In most of these cases, the skills were not technical (apart from some references to an increased facility with data analysis and metrics design) but rather related to interpersonal relationships, understanding how to influence and work with different kinds of people, and knowing how to play the long game and make smart decisions about "what hills to die on." Within this group, there was a tone of wisdom bordering on cynicism, and some subjects lamented the hours they had spent trying to push too hard for improvements when they were less experienced. For example, one subject questioned whether they had tipped too far into cynicism and worried that they may have lost too much optimism and energy while learning to pick their battles.

Overall, no extrinsic positive or negative outcomes were noted. For example, no subjects referenced explicit positive reputational or financial outcomes due to their experience. However, there were a few references to being confident that their leadership felt they had done a good job in the role. References to negative reputational and financial impacts were covered in the aftermath category as respondents talked about their overall experience, and no new comments surfaced in this area. Table 4 shows the emerging themes from the outcomes category.

Table 4

SBU Failure Outcomes Emerging Themes

Category	Emerging Theme(s)	Supporting Quotes
Emotional	Increased confidence and resilience	"That [experience] just made me a just a better employee. It probably gave me more longevity within the job, having a better perspective of my impact and what role I can play." "It was just invaluable to me, and it made me strong. Like, if I can get through this, I can get through anything. If I can work with these people, I can work with anybody. Nothing, and no one's gonna shake me." "Honestly, it did make me stronger. And the funny thing is, when I talk to people about my experience, I still think of it as the highlight of my career."
Emotional	Greater sense of meaning and purpose	"And if you fail there, at least you were working there, right? You were in the Super Bowl, dude, so you lost. So what? And you know what, I think some of the better stories come from the failures. If I was in a winner, take all, like, oh yeah, you won. Great. Like, no, but you struggled, and it sucked, and you had enemies, and you suffered… and then what did you do? Those are the stories I want to hear." "For me, it was really a gift, and there are moments where I've, you know, run into people since then who we've stayed connected in some way. And I've heard feedback like, hey, that really sucked. But like, I'm glad I went through it with you."
Professional	New business skills and insights	"Working in an underperforming business and seeing what the problems are … gaining a deeper understanding of that and being able to make an impact.... I think it's a great career experience." "I've learned to recognize that there are some things that, regardless of how strongly I feel about them or how strongly a group of people feel that a change would move mountains… some of those just aren't going to happen. And I'm going to have to just put that on the back burner." "I could speak more intelligently to leadership in software development, leadership in business development and things like that. I was more intelligent at the table. And I understood the field that I was playing in much better. And each time I would go through it, I was like, I wish I could go back and be in that room again [knowing what I know now]."

Updated Beliefs

Participants' descriptions of their common beliefs about business failure post-event illustrated a broader range of insights and emotions than their pre-event beliefs. A few emerging threads included a more nuanced understanding of the complexities involved in business failure and a belief that successful personal outcomes are not dependent on business performance. Overall, sentiments expressed in this category were sympathetic and positive, including cases of increased empathy for those in leadership positions. However, the experience led some subjects to conclude that leadership misbehavior and incompetence were intractable issues.

A majority ($n = 9$) of subjects said they had a more sophisticated understanding of the complex causes and solutions to business failure and now saw it as an opportunity for learning. Several respondents mentioned going deep into a business to diagnose its problems, including questioning underlying assumptions. For example, people mentioned needing to detangle the underlying logic within the business model since "the way that it's being measured may not be the right way to think about it." In contrast to more straightforward pre-event beliefs about customer/product fit being simple to address, experience had led them to challenge their thinking: "Now I just have a much more nuanced [view about] failure that it's not just about, you know, did you engineer it correctly and did you get it in front of customers. How did you get it in front of customers? What were the partner channels? Were those the right ones?"

Echoing themes of connection to purpose and self-efficacy from above, six respondents shared that business failure was "worth the pain" and could be a positive experience if one was clear about their purpose and focused on what they could control. Within this group, there was a sense that "it was not really about the business" and that it

was important to show up and do one's best, irrespective of how significantly the business was struggling. Regardless of the source of deeper meaning (which ranged from dedication to an industry to closer relationships with colleagues and a commitment to personal mastery), one subject said: "the biggest takeaway for me is you can have impact without having the bigger success of what your business goals are." The MLM respondents in this group all spoke about their responsibility to their direct reports being of higher importance than the performance of the business and that how a manager behaved during adversity was more important than results.

In several cases, the subjects' outlook on the role of leadership in business failure had softened. These respondents illustrated an understanding of how human and fallible even those in the highest positions are and that it can be easy to criticize from the outside. "People make mistakes even at senior levels, and they're usually - I would like to think, not intentional. A lot of it has to do with timing. And just bad luck versus being intentional about making the wrong decision. So, I have a lot of empathy for leaders," said one participant. Not all respondents shared this sympathetic view of senior leaders. Out of the group, three respondents spoke of witnessing behaviors that they believed rode a thin line between irresponsible and unethical and their opinions about whether those behaviors could be prevented were unchanged (and possibly more entrenched) as they described their post-event beliefs. While this group was small, a common thread was that failure happens because leaders place personal gain and ego above delivering value for clients and partners. These respondents said that leaders "are playing with someone else's money" and that "they will do everything in their ability to maintain power," both of

which cause them to prioritize self-interest when making decisions, rewarding employees (or not) and searching for corrective strategies.

Despite the more nuanced appreciation for business failure that surfaced in this category, no mention was made of needing to spend more time interpreting signals from partners or customers or otherwise engaging in externally focused behaviors. For example, even the subjects who held the most negative views on leadership behavior did not mention the importance of board, governmental, or other sources of oversight.

Chapter 5: Discussion

This paper evaluated the results of a qualitative study of 15 individuals and MLMs who had worked in a failing business unit for at least two years and contributed to existing business failure research by exploring these subjects' lived experiences and highlighting factors that contributed to learning and other positive outcomes. By aligning the qualitative analysis with the framework used for the literature review, this study provided a way to draw comparisons to previous studies of individual and entrepreneurial experiences of business failure.

Some of the results of this study help further support existing themes in extant entrepreneurial business failure literature and research focused on PTG in individuals involved in ordinary (non-traumatic work). The critical role of negative emotions in triggering searches for explanations and alternatives and the importance of mitigating those emotions (e.g., though connecting to a deeper meaning or purpose) to allow for subsequent experimentation and sensemaking were present in this study. The concept of tipping points of failure duration also surfaced in this study's results, illustrated by adverse outcomes for failures either too short or too long in duration. The absence of structured AERs or similar processes suggested an opportunity to maximize learning, especially in balancing internal and external attributions of business failure. Finally, like the research on PTG, and despite the many challenges they described, all but one participant experienced positive outcomes because of their experience. Growth areas noted by the subjects mapped to several within Tedeschi and Calhoun's (1996)

Posttraumatic Growth Index, such as improved relationships and an increased sense of personal strength.

Exploring the role of socially constructed beliefs within this study yielded more nuanced results. Specifically, when people were asked what their common beliefs were before and after the failure event, they tended to make generic statements or merge beliefs with their lived experience, making it challenging to deduce any clear patterns. References to social influences on their beliefs about business failure were scant, but there was too little exploration of this topic in the study to infer much from that point. This does not mean that beliefs and social influences were unimportant for the participants, but rather that one type of belief and how it emerged through the sensemaking process seemed to matter most for these subjects. Specifically, developing a belief that the individual was separate from the business (i.e., that their purpose was more significant than business performance) was a meaningful step in facilitating emotional regulation and further sensemaking and learning. What working in a failing business unit meant to them and about them as individuals (ultimately, little, compared to how they behaved and whom they worked with) was one of the stronger themes.

One theme that emerged from this study was distinct enough from existing literature to warrant attention. Negative emotions towards senior leadership and a correlating theme of low perceived agency ("I am just a cog") featured strongly in subjects' narrative accounts and were linked to fewer learnings and positive results. Here, while not explicitly named by participants, the social factor of power dynamics was a salient force. It is interesting, though not conclusive, to compare this theme to research on defensive routines and groupthink in entrepreneurial literature. The sense that certain senior leaders

either lacked the courage or willfully elevated their ego over business may or may not be related to subconscious defensive behaviors.

Implications

The findings in this paper may be helpful to academics and business professionals. This study contributes to the existing academic literature on business failure by focusing on the under-researched populations of individuals and MLMs within the unique setting of a Fortune 50 SBU. The results suggest that individual and MLM experiences of business failure have characteristics unique to these roles, illuminating opportunities for further research. Professionally, the findings in this study may be helpful to HR and OD professionals, business leaders of all levels, including MLMs, and individuals. One specific practical application is teaching groups how to design and execute collaborative AERs and similar learning processes that provide repeatable frameworks for social sensemaking and learning.

The academic literature and the noted absence of structured learning processes by participants suggest an opportunity to revisit existing models, update them based on current academic learnings, and implement them at scale. Post-mortems and other AER models are not new concepts; many companies may already excel in this area. However, this study's participants within a Fortune 50 company during a shared period (the last 15 years) referenced no structured in-flight or post hoc processes for learning through failure, illustrating an opportunity to scale these skills by teaching them at the individual and MLM levels. Organizations with successful existing AER-type structures may have an opportunity to revisit how those are designed and implemented.

In keeping with the theme of individual agency as a factor in effective recovery and learning through failure, rather than (or at least in addition to) introducing AER models through a traditional top-down management or learning and development process, a different approach could be to invest in enabling individuals and MLMs to customize and lead these sessions themselves. Teaching these populations both why these kinds of social learning processes are effective (e.g., the importance of socially constructed beliefs, the principles of double-loop learning, the proven benefits of elevating learning objectives over immediate results) and how to conduct peer-based action learning processes such as AERs may enable groups to create useful new learnings and support an increased sense of agency. This suggestion echoes findings from entrepreneurial literature: "Contemplate the use of action learning as a peer-to-peer learning mechanism that may be useful in facilitating a more participative approach to learning from failure" (Cope, 2011, p. 605).

This study offers four additional considerations in designing and implementing in-flight and post-mortem learning processes. First, educating and supporting the explicit design of experiments and integrating those experiments into an ongoing structured learning process may be beneficial. This is different from the widespread processes of quarterly business reviews and objectives and key results reviews, insofar as the goal of experiments is to learn rather than solely improve performance on existing metrics. Second, both successful and failed experiments benefit from a structured review. Both types have yielded meaningful benefits, with some studies showing improved learning through errors found in successful efforts (Ellis et al., 2006; Ellis & Davidi, 2005).

Third, literature on tipping points and this study's findings on the negative impacts of abrupt terminations suggest that organizations would benefit from establishing specific standard procedures for project, product, or business unit terminations that allow adequate time and processes for reflection and learning. Especially against the current backdrop of frequent layoffs and rapid re-organizations in the technology sector, restructuring and redeploying remaining team members without the opportunity for social sensemaking and learning can negatively impact individual emotions and cognitive capacity and, therefore, organizational sensemaking, learning, and recovery.

Finally, existing literature and this study suggest benefits of ensuring these learning processes focus on the what and the how and encourage a mix of internal and external attributions, which helps people balance increasing awareness of environmental signals with looking inward at the group and individual level at what limitation narratives, assumptions, and behaviors that would benefit from examination and improvement.

A side note related to reward and recognition systems that may be practical is that while only three of the 15 participants noted negative reputational and financial impacts from their experience, none mentioned positive rewards in any clear terms. While there were clear internal positive outcomes across the group (e.g., increased confidence and resilience), there may be benefits in looking more deeply at reward mechanisms for individuals and MLMs who contribute to experimentation and learning through failure.

Limitations of the Study

- Small sample size. Given the sample size, any themes and insights communicated in this study should be taken as suggestions. This research also did not compare results across individual differences, including differences in educational

background and professional experience or the influence of cultural upbringing. For example, while everyone interviewed for this paper worked in the U.S. for a U.S.-based firm, they were not all born and raised in the U.S. Two of three non-native U.S. participants referenced their experience growing up in their country of origin as a significant factor in their experience.

- Homogeneity of participants. Because I was opportunistic and recruited participants through personal networks and referrals, there is a relative lack of diversity in respondents, with all participants having worked at the same Fortune 50 technology company and several from within the same business unit or team.

- Researcher bias. Furthermore, given that I also previously worked for the same company, it is possible that personal biases and recollections of key events may have impacted the data analysis process.

A few other limitations of this study are worth noting. First, this study did not investigate or compare responses based on organizational factors such as the size of the SBU and whether it resulted from an acquisition, a legacy business that experienced a decline over time, or a net new initiative that failed. These (and other) situations typically carry unique conditions (e.g., cultural forces within the acquired company) which were not factored into the analysis. Similarly, this study did not review the causes of business failure outside of their categorization and thematic mention within attribution (i.e., internal or external, strategic misalignment). Given participant statements about strategic misalignment, including SBUs being referred to as "a square peg in a round hole," this may have been a meaningful factor to analyze but was omitted from the study.

Second, participant employment duration and recency varied and were not factored into the analysis. While participants had worked in their failing SBU for at least two years, employment ranged from two years to 15 years. These ranges introduce several variables, including the possibility of forgotten details, rewritten accounts, and confusion between events in other jobs.

Regardless of duration or recency, it is inherent to sensemaking that people revise their narratives until they achieve a level of coherence and alignment with their sense of self (Gabriel et al., 2010; Maitlis et al., 2013; Weick, 1995). This applies to new sensemaking that occurred as participants were asked questions they had not considered or revisited in some time. Narratives captured in this study should be understood to reflect the subjects' best efforts to make sense of their experiences during the interview.

Third, outside of noting participant mentions of leadership in the beliefs and aftermath categories, this study did not attempt to comprehend the role of managers in shaping individual experiences. For example, there is a robust category of academic research on sensegiving and the importance of leadership in that process that this paper ignores completely. Several research participants spoke about their direct and skip-level managers' influential role in their experience (both positive and negative), indicating that this would have been a meaningful thread of inquiry. However, doing a deeper exploration was out of the scope of this study.

Despite these limitations, it is hoped this study contributes to the under-researched topic of how non-entrepreneurs experience and learn from business failure. While the results cannot be deemed conclusive, this study provided fresh insights into individuals'

lived experiences of business failure, offered potential considerations for how people can increase learning through failure, and introduced additional areas for subsequent research.

Areas for Further Research

There are several opportunities for further research worthy of highlighting. During interviews, respondents generally did not follow a linear and logical path in their storytelling and tended to move between different periods and trains of thought. Longitudinal studies would create a more accurate depiction of the process individuals and MLMs experience during business failure.

In addition, both individuals and MLMs would benefit from independent studies. While some research on business failure has been done at the broader organizational level, we revisit the point that people who "own the option" and the people who "are the option" (McGrath et al., 2004, p. 96) have significantly different experiences, with MLMs inhabiting a more ambiguous grey area. Given the social impacts on emotions and sensemaking and the importance of dynamics such as relative power, a deeper investigation of the unique aspects and differences between these populations' experiences would provide a richer understanding of how power structures, perceived agency, and other variables factor in how people experience and learn from failure.

MLMs and their impact on individuals and senior leadership offer an interesting category of further inquiry since "middle managers' strategic influence arises from their ability to mediate between internal and external selection environments" (Floyd & Wooldridge, 1997, p. 465). Given the references from respondents about the important role of immediate management, further exploration in this area would help managers and organizations learn about effective strategies and behaviors.

A sub-thread appeared in this study around the importance of "cutting your losses" rather than letting businesses die slowly on the vine, with four participants lamenting the pain of what they saw as delayed termination. For example, "You must know when the time to hang it up is. And if you are gonna hang it up, try to be swift with it and don't let it linger because that just drags people [down]." There is too little information about timetables (and not all the SBUs in question had been shut down) to infer any specific insights from this study. However, it would be interesting to further the concepts in Corbett et al. (2007) on termination scripts and explore how non-decision-makers experience different timetables of business unit closure.

Finally, the world of work is rapidly changing. Historical patterns of long-term employee-employer loyalty are eroding swiftly, with more working professionals turning to gig work, start-up ventures, and serial employment. As relationships between large corporations and their employees continue to shift, so will self-identity with the business unit or company. Research focused on current experiences of business underperformance among individuals and MLMs would provide insight into how people navigate business failure within modern conditions.

Conclusion

This study explored how individuals and MLMs experience business failure, how their belief system impacted their experience, and what they learned from it. This topic is important because of the numerous obstacles to learning through failure enumerated in academic literature, the commonplace and desirable nature of some degree of business failure, and the fact that most employees are individuals and MLMs. Negative impacts of business failure within this population can significantly inhibit individual, team, and organizational well-being and performance. Several themes that emerged from this study

were consistent with extant entrepreneurial business failure literature, including the important roles negative emotions, subsequent emotional regulation, and experimentation play in supporting learning outcomes through business failure.

This study contributed to existing business failure literature in new ways by highlighting a particular type of belief development (separation of self from work) as meaningful for subsequent learning and positive outcomes. The correlation between negative perceptions of senior leadership and low perceived agency with fewer positive outcomes also highlighted the impact of power dynamics on individual and MLMs' experiences and subsequent learning through business unit failure. Opportunities for future research were uncovered, and practical implications for HR, OD, business leaders, and individuals were discussed.

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Appendix A: Recruitment Email

PEPPERDINE | GRAZIADIO
BUSINESS SCHOOL

Dear [name],

My name is Corinna Calhoun, and I am a master's degree student in the Organization Development department of the Graziadio Business School at Pepperdine University. I am conducting a research study **to explore how individuals experience periods of business failure**. Specifically, I seek to understand people's lived experience of failure, what they learned from it, and what role their belief systems may have played in the process, and I need your help!

I am seeking volunteer study participants who have worked for two or more years in a failing or chronically underperforming business unit in a Fortune 50 technology company (either in their current role, or in the past), and who were neither engineers nor members of the senior-most leadership team (e.g., V.P. or CVP or above) during that time.

If you meet these criteria, I would like to invite you to participate in a 1-hour [recorded] video conference interview in a location of your choice to discuss your experience. Interview questions will focus on your lived experience, including thoughts, feelings, and learnings. The focus is explicitly not on business results, and all participants will be asked not to share any company information that is not publicly available.

Participation in this study is voluntary, and your identity as a participant will be protected before, during, and after the time that study data is collected. You may withdraw from the study at any time without penalty. The results of our interviews will be confidential and reported at the aggregate summary level only.

Please respond to this email confirming or declining your interest in participating in this study. If you have any questions or concerns, please contact me directly via email or phone at (206) 276-1557.

Thank you for your consideration!

Sincerely,
Corinna Calhoun

Pepperdine University
Graziadio Business School
Masters in Organization Development
(206) 276-1557
corinna.calhoun@pepperdine.edu

Appendix B: Subject Consent Form

PEPPERDINE | GRAZIADIO
BUSINESS SCHOOL

IRB Protocol Number: 22-08-1915

Study Title: The Impact of [Prolonged] Periods of Business Unit Failure on Individuals

Authorized Study Personnel:

Principal Investigator: Corinna Calhoun | Mobile: 206-276-1557

Faculty Chair/ Sponsor: Dr. Darren Good | Mobile: 216-789-8774

Key Information

- If you agree to participate in this study, the project will involve:
- Sharing your experience working in a failing business unit in a Fortune 50 company
- You will be asked to participate in one ~60-minute individual interview
- There are minimal risks associated with this study
- Your identity will be kept confidential before, during, and after the research study, and all data will be reported at an aggregate level only
- You will not be paid for your participation
- You will be provided with a copy of this consent form

Invitation

You are invited to take part in this research study. The information in this form is meant to help you decide whether or not to participate. If you have any questions, please ask.

Why are you being asked to be in this research study?

You are being asked to be in this study because you have worked for two or more consecutive years in a failing or chronically underperforming business unit in a Fortune 50 technology company (either currently or in the past). Also, during this period, you worked in a non-engineering profession and were not a member of the senior-most leadership team (e.g., VP or CVP and above).

Because you meet these criteria, your experiences are relevant to the focus of this study.

What is the reason for doing this research study?

The purpose of this study is to explore how individuals experience prolonged periods of business failure. Specifically, I seek to understand people's lived experience of failure, what they learned from it, and what role their belief systems may have played in the process. Exploring these questions may provide insights into how individuals and corporations can increase learning through failure and will build on current academic

research that is largely focused on entrepreneurial and senior leadership experiences with business failure.

What will be done during this research study?

You will be asked to engage in one 1:1 interview with the researcher, which will last approximately 60 minutes and will be conducted over video conference (Zoom or Microsoft Teams), in a location of your choice.

How will my data be used?

Data from our conversation will be analyzed using qualitative research techniques. Data will be analyzed to assign codes, reveal themes and categories, summarized, and then reported as a collection of the trends and challenges related to how individuals experience business failure.

What are the possible risks of being in this research study?

The risks associated with participating in this study are minimal. Interviews will be scheduled at a convenient time and be conducted over video conference. To ensure your privacy and comfort, I recommend you use a personal email account and device for our interview and have access to a private, safe, and comfortable location where you are unlikely to be interrupted. You may request breaks at any time or withdraw your participation at any time, for any reason.

What are the possible benefits to you?

You will assist in contributing to academic research on how people experience and learn through failure. However, you may not get any direct benefit from being in this research study.

What are the alternatives to being in this research study?
Instead of being in this research study, you can decide to not participate in the interviews.

What will being in this research study cost you?
There is no cost to you for participating in this research study.

Will you be compensated for being in this research study?
No compensation will be provided for participation in this study.

What should you do if you have a problem during this research study?
Your welfare is the major concern of every member of the research team. If you have a problem as a direct result of being in this study, you should immediately contact one of the people listed at the beginning of this consent form.

How will information about you be protected?

Reasonable steps will be taken to protect your privacy and the confidentiality of your study data. All interview responses will be kept confidential, and only aggregated and non-identifiable data will be presented in this study or any future publication(s).

All digital recordings or print notes associated with this study will be secured and handled according to Pepperdine University's Information Security Policies. Any potential loss of confidentiality will be minimized by securing data in password-protected files on a password-protected computer. There will be no hard copies of the data.

The only persons who will have access to your research records are the study personnel, the Institutional Review Board (IRB) of Pepperdine University, and any other person, agency, or sponsor as required by law. The information from this study may be published in scientific journals or presented at scientific meetings but the data will be reported as summarized data and your identity will be kept strictly confidential.

All data and notes will be destroyed within five years.

What are your rights as a research participant?
You may ask any questions concerning this research and have those questions answered before agreeing to participate in or during the study.

For study-related questions, please contact the investigator(s) listed at the beginning of this form.

For questions concerning your rights or complaints about the research contact the Institutional Review Board (IRB):

  • Phone: 1(310) 568-2305

  • Email: gpsirb@pepperdine.edu

What will happen if you decide not to be in this research study or decide to stop participating once you start?

You can decide not to be in this research study, or you can stop being in this research study ("withdraw') at any time before, during, or after the research begins for any reason. Deciding not to be in this research study or deciding to withdraw will not affect your relationship with the investigator or with Pepperdine University.

Documentation of informed consent
You are voluntarily making a decision whether or not to be in this research study. Signing this form means that (1) you have read and understood this consent form, (2) you have had the consent form explained to you, (3) you have had your questions answered, and (4) you have decided to be in the research study. You will be given a copy of this consent form to keep.

Participant Feedback Survey
To meet Pepperdine University's ongoing accreditation efforts and to meet the Accreditation of Human Research Protection Programs (AAHRPP) standards, an online feedback survey is included.

Participant Name (Please Print): _____

Participant Signature: _____ **Date** _____

Investigator Certification:

My signature certifies that all elements of informed consent described on this consent form have been explained fully to the subject. In my judgment, the participant possesses the capacity to give informed consent to participate in this research and is voluntarily and knowingly giving informed consent to participate.

Signature of Person Obtaining Consent (Principal Investigator): _____

Date _____

Corinna Calhoun
(206) 276-1557
corinna.calhoun@pepperdine.edu

Graduate Student, M.S. Organization Development
Pepperdine University | Graziadio Business School

Appendix C: Qualitative Research Questions

Pre-interview reminders:

Thank you for taking the time to speak with me today.

Before we get started there are a few reminders I need to provide. I also need to remind you that this interview is being recorded.

First, I want to acknowledge that you read and signed the Subject Consent Form. Do you understand all those details and continue to provide your consent?

A few other reminders follow:

The purpose of this study is to explore how individuals experience periods of business failure. Specifically, I seek to understand people's lived experience of failure, what they learned from it, and what role their belief systems may have played in the process. Exploring these questions may provide insights into how individuals and corporations can increase learning through failure.

Overall, my goal is to learn about your lived experience. I am not here to evaluate or judge your experiences, behaviors, thoughts, or emotions.

Your information will be kept confidential. Only aggregate data and insights will be included in the study, and no personally identifying material will be included in the research report or any subsequent studies. As a reminder, please do not disclose any proprietary or otherwise protected company information.

Your participation is completely voluntary. Please let me know if you would like to take a break at any time. You may also withdraw from this study at any time.

Do you have any questions before we get started?

Interview Questions:

1. Can you tell me about your experience?
2. What were some of your typical thoughts, feelings, and behaviors during this period?
3. What were your common beliefs about failure before this experience? After?
4. What did you learn from this experience?
5. What, if any, longer-term impacts have this experience had on you?
   Is there anything else you'd like to share that is relevant to this experience?