The effects of business failure experience on successive entrepreneurial engagements: an evolutionary phase model

Abstract

This study draws insights from the literatures on entrepreneurial learning from failure and organizational imprinting to develop an evolutionary phase model to explain how prior business failure experience influences successive newly started businesses. Using multiple case studies of entrepreneurs located in an institutionally developing society in Sub-Sahara Africa, we uncover four distinctive phases of post-entrepreneurial business failure: grief and despair, transition, formation and legacy phases. We find that while the grieving and transition phases entailed processes of reflecting and learning lessons from the business failure experiences, the formation and legacy phases involve processes of imprinting entrepreneurs' experiential knowledge on their successive new start-up firms. We conclude by outlining a number of fruitful avenues for future research.

Key words: Business failure; entrepreneurial learning, imprinting, entrepreneurial engagement.

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Introduction

For years, scholarly entrepreneurship research has focused on the notion that entrepreneurial opportunity identification/discovery and its subsequent exploitation results in economic rent creation and the success of entrepreneurial ventures (Alvarez & Barney, 2004; Shane & Venkataraman, 2000; Zellweger & Sieger, 2012). Thus, an entrepreneurship theory of the firm is that once an entrepreneurial firm is inclined to take risk to innovate proactively, new product-market entry and wealth creation should follow (Lumpkin & Dess, 1996; Alvarez & Barney, 2007). Entrepreneurial business failure as a significant driver and consequence of entrepreneurial activity seems to be overlooked in the scholarly discussion on how entrepreneurial opportunity is pursued (Aldrich & Fiol, 1994; Ucbasaran, Westhead, Wright, & Flores, 2010). However, an emerging stream of entrepreneurship research suggests that entrepreneurial business failure is a widespread phenomenon (McGrath, 1999; Shepherd, 2003; Mathias, Williams, & Smith, 2015). To this end, it is argued that the complex processes through which entrepreneurs learn from their past and how lessons learnt from the past shape the organizational forms adopted in subsequent start-up firms is crucially important for entrepreneurship theory development (Cope, 2011; Politis, 2005; Jenkins, Wiklund, & Brundin, 2014). Given the prevalence of reported cases of business failures (Artinger & Powell, 2015), scholars are concerned about the dearth of scholarly research on the drivers and consequences of entrepreneurial business failure (Mantere, Aula, Schildt, & Vaara, 2013), with some contemporary entrepreneurship thinkers specifically calling for additional research on the topic (e.g., Byrne & Shepherd, 2015; Suddaby, Bruton, & Si, 2015).

Efforts to contribute to the scholarly debate on the topic have witnessed scholarly works attempting to explore the learning-related benefits and consequences of prior entrepreneurial business failure experience (e.g., Cope, 2011; Byrne & Shepherd, 2015). For example, Cope (2011) examines the idea that experiential learning occurs as a consequence of an entrepreneur's recovery and re-emergence from previous business failure. Researchers have also examined how the circumstances of the entrepreneur can have a "lasting and persistent stamp on entrepreneurs" and their future ability to start new businesses (Mathias et al., 2015, p. 12). In addition, Byrne and

Shepherd (2015) discuss how entrepreneurs use cognition and emotion as a way of making sense of their prior business failure experiences, whereas Jaskiewicz, Combs and Rau (2015) draw on the idea of entrepreneurial legacy to explain how families' ability to embed founders' entrepreneurial values and spirits on to future generations can help enhance success of family businesses.

Taken together, while these prior works on entrepreneurial business failure and its influences on entrepreneurial behaviors have helped advance the entrepreneurship discipline, an important issue that has been under-recognized and understudied is how entrepreneurs' experiences with business failure serves as learning and imprinting processes to influence the character of subsequent new start-up firms. Accordingly, the primary motivation of this research is to shed new insights on how entrepreneurs' experiences with prior business failure influence subsequent entrepreneurial business engagements. We argue that because entrepreneurial failure is indicative of entrepreneurial learning, it serves as a context to explain the outcomes of experiential learning including how experiences with business failure impact on successive entrepreneurial undertakings (Aldrich & Fiol, 1994; McGrath, 1999). By entrepreneurial business failure, we are referring to a situation where a firm "ceases operations, loses its corporate identity, and/or loses the capacity to govern itself" (Hager, Galaskiewicz, Bielefeld, & Pins, 1996, p. 976). This notion of entrepreneurial business failure is likened to the idea of entrepreneurial exit, which is defined as the process of "shutting down, discontinuing or quitting a business" (Hessels, Grilo, Thurik, & van der Zwan, 2011, p. 448).

In investigating this research objective, we aim to contribute to the entrepreneurship literature in two important ways. First, we draw insights from research on entrepreneurial learning from failure (e.g., Cope, 2011; Shepherd, 2003) and organizational imprinting (Marquis & Tilcsik, 2013; Simsek, Fox, & Heavey, 2015) to develop an evolutionary phase model to explain the mechanisms through which entrepreneurial business failure influences the behaviors, processes and routines adopted in newly founded start-ups. Second, we explore this phenomenon in a unique institutional context: a developing economy setting where business failure is not only prevalent but also carries strong stigma (Cardon, Stevens, & Potter, 2011; Mantere et al., 2013). Thus, we shed new light on the overlooked question of how entrepreneurs' prior business failure experience influence different phases of successive new businesses started, and how this phenomenon unfolds in an institutionally challenging environment. In the sections that follow, we review the literature on entrepreneurial learning from failure and organizational imprinting, set out the boundaries of these constructs and explicate the logical mechanism that connects the two streams of research. We then outline our research methodology. This is then followed by the findings. Subsequently, we discuss our findings with respect to our contributions to the organizational imprinting and business failure theory and practice.

Entrepreneurial learning and organizational imprinting: A conceptual development

Many of the processes of entry and exit of entrepreneurial businesses have been studied in the entrepreneurship and evolutionary economics literature (e.g., Fok, Stel, Burke, & Thurik, 2009; Hessels et al., 2011; Simmons, Wiklund, & Levie, 2014). Scholarly entrepreneurship research has, in particular, paid attention to explaining the statistical and psychological antecedents (Artinger & Powell, 2015) as well as the behavioral consequences of entrepreneurial business failure (Politis, 2005; Politis & Gabrielsson, 2009). From an entrepreneurial learning perspective, it is argued that knowledge and narratives derived from past experiences in entrepreneurial contexts serve as learning schemas or guide to influence entrepreneurs' strategic choices in subsequent entrepreneurial engagements (e.g., Jenkins et al., 2014; Mantere et al., 2013; McKenzie & Woodruff, 2013). Thus, an entrepreneurial learning theory highlights how learning influences the behavior, processes, structures and procedures adopted in successive business start-ups (Ucbasaran et al., 2010; Mathias et al., 2015). Along this stream of research, the entrepreneurial learning literature suggests that entrepreneurs learn from business failure by using knowledge and information from their experiences with failure to revise their existing assumptions about how to manage their future start-ups effectively (Shepherd, 2003). The experience can also guide entrepreneurs' decisions and actions (and inactions) on their subsequently started new ventures (Yamakawa & Cardon, 2015; Politis, 2005).

The entrepreneurial business failure literature suggests that founders of new entrepreneurial firms bring to fore their assumptions of acceptable business behaviors, processes and routines acquired and internalized from previous work experiences in other organizations (Kriauciunas & Kale, 2006; Marquis, 2003; Marquis & Tilcsik, 2013). This influence is said to be stronger during the early and developmental stage of the newly founded entrepreneurial business given the immediacy of the learning process that the entrepreneur may have gone through as a result of the failure (Cardon et al., 2011; Ferriani et al., 2012; Tilcsik, 2012). For example, Politis and Gabrielsson (2009, p. 364) find that "experience from closing down a business is associated with a more positive attitude towards failure … experience from closing down a business due to reasons of poor performance is a highly valuable source of learning". To this end, Cope (2011, p. 604) argues that "entrepreneurs learn much not only about themselves and the demise of their ventures but also about the nature of networks and relationships and the 'pressure points' of venture management". Thus, entrepreneurial learning theory suggests that failure events that an entrepreneur experiences serves as a reservoir of knowledge (Minniti & Bygrave, 2001) from which the entrepreneur can draw insights and lessons to shape the behaviors, routines and processes adopted in subsequently started ventures.

In additional to the knowledge accrued by the entrepreneur from the failure events, it has been suggested that the founding conditions of newly created entrepreneurial firms may include the nature of the "environment of its founders", which can influence the strategies, structures and/or operating practices adopted by the founder in subsequent entrepreneurial engagements (Kriauciunas & Kale, 2006). As Kimberly (1979, p. 438) puts it, "just as for a child, the conditions under which an organization is born and the course of its development in infancy have important consequences for its later life". Studies following this later line of argument view the entrepreneur as a bricoleur who draws on prior experiential knowledge and heuristics (Holcomb, Ireland, Holmes Jr, & Hitt, 2009), learn about the circumstances of past failures (and successes), draw resources and ideas from any number of contexts possible (Baker & Nelson, 2005), and apply them in recreating new businesses (e.g., Lumpkin, Shrader, & Hills, 2000; Corbett, 2005). Thus, as bricoleur and resourceful individuals or teams, by recognizing a new business start-up opportunity entrepreneurs are likely to assemble any resources available from their previously failed businesses into an innovative, hitherto undreamt of manner, to exploit the new business opportunities (McKenzie & Woodruff, 2013). In particular, the entrepreneur can draw benefits from network of ties that previous personnel (a human resource) may have developed with customers, suppliers, developers and clients, which provides the newly founded business access to key industry resources, legitimacies and favors (see Beckman, 2006). The capacity to diffuse valuable experiential knowledge and social network resources constitute a continuing positive influence of prior business failure on the newly founded firm (Mellahi & Wilkinson, 2004; McKenzie & Woodruff, 2013).

While the entrepreneurial learning and bricolage literatures paint a positive influence of business failure experience on newly founded start-ups, the organizational contagion literature suggests that newly started firms risk inheriting unwanted behaviors, processes, routines and resources from the past (Amankwah-Amoah, 2014). For example, Simmons et al. (2014) argue that business failure experience produces negative stigmatizing social and economic sanctions on future career prospects of entrepreneurs. In drawing on the threat rigidity theory, Shepherd (2003) argues that negative emotions from a business loss can constrain entrepreneurs' ability to learn from their failures as the grief inherited from the loss can inhibit entrepreneurs' cognitive abilities, restrict the number of decision options considered when starting a new business and ultimately limit the new business' propensity to adapt and change (Ferriani et al., 2012; Amankwah-Amoah, 2014). To this end, Sarasvathy, Menon & Kuechle (2013) argue that an experience with a failing firm is an antecedent to seriality of entrepreneurial activity (i.e. exit from entrepreneurship followed by subsequent re-entry); contending that the mechanism follows a contagion process. It is argued that this contagion effect can dent the credibility of the newly started firm in the eyes of core stakeholders on the basis of the argument that "progeny that arose in the wake of their parents' failure were more likely to fail" (Phillips, 2002, p. 502). Past studies have demonstrated that some entrepreneurs have a general tendency to engage in "self-serving attribution", where a business failure is attributed to outside forces beyond their control (Amankwah-Amoah, 2015). When such attributions overlook internal causes, the failure experience often leads to little or no valuable lessons been learnt (see also Wiesenfeld et al., 2008).

In addition, organizational behavior researchers have drawn insights from the notions of organizational imprinting processes (e.g., Johnson, 2007; Stinchcombe, 1965; Zheng, 2012), entrepreneurial legacy (Jaskiewicz et al., 2015), ancestor effects (Barnett, 1997), post-exit outcomes (Hoetker & Agarwal, 2007), network progeny (Roberts & Sterling, 2012) and parent-progeny effects (Phillips, 2002) to explain how past experiences influence subsequent engagements. Importantly, these concepts have broadly been used to conceptualize the notion that a firm's (or an individual's) circumstances imprint on its strategic choices (Suddaby et al., 2015).

Studies focusing on the imprinting process argue that there is an imprinter that constitutes "both a motive force and a reservoir of characteristics from which the imprinted entity draws upon during imprint formation" (Simsek et al., 2015, p. 293). The imprinted - the focal entity or actor (hereafter the entrepreneur) as the subject of the imprinting process - has therefore been the target of most scholarly works (e.g., Powell & Sandholtz, 2012). While arguments can be made that imprinting is a macro-level construct that draws from the sociological literature to explain how the external environment affects an organization (or individual) (Kriauciunas & Kale, 2006; Marquis & Tilcsik, 2013), a counter argument is that both the imprinter and the imprinted entities can be conceptualized and analyzed at multiple levels. To this end, Simsek et al. (2015, p. 293) suggest that during an imprinting process, "the focal entity is exposed to forces of imprinters, whose characteristics combine with those of the focal entity, alongside both historical and contemporaneous influences, to shape the formation of an imprint". Thus, while the macro-environmental level has largely been the focus of most research into the imprinting construct, scholarly works have demonstrated that firm-specific and individual behavioral characteristics, are potential sources of an imprinting process (e.g., Boeker, 1989; Van Driel & Dolfsma, 2009).

Focusing on the behavioral characteristics of the entrepreneur, the failed venture and the business subsequently established as a unit of conceptualization and analysis, researchers have studied how imprinters associated with the entrepreneurs' background and vision (Ainamo, 2005), social networks (Beckman, 2006), personality (Gruber, 2010), cognition (Bryant, 2014), identity (Fauchart & Gruber, 2011) and pre-entry knowledge (Dencker, Gruber, & Shah, 2009) have impacted on the entrepreneurs' subsequent strategic choices. For example, Dencker and colleagues find that an entrepreneur's pre-entry knowledge and prior start-up experience impact a firm's survival chances through their imprints on the firm's subsequent strategic choices. Accordingly, Simsek et al. (2015) argue that entrepreneurs are summation and product of their circumstances to the extent that their circumstances at time and place of founding represent a powerful force that directly and differentially imprint on the behavior, strategy, structure and procedures, and subsequent performance of firms (see Harris & Ogbonna, 1999; Bryant, 2014). Studies have therefore argued that entrepreneurs' prior experience and knowledge evolves as strategic dividends or hangovers and intertwine with the circumstances of time and place to influence the character of subsequently started ventures (Ucbasaran et al., 2010; Hessels et al., 2011; Ogbonna & Harris, 2001).

Specifically, studies have argued that an imprinting process occurs when a business founder draws insights and knowledge from personal experiences and affiliations of past entrepreneurial engagements to shape character of newly founded firm (Beckman, 2006); to the extent that the strategic decisions and directions of the newly founded firm may take on a character that is reflective of the pre-entry experiences of the entrepreneur (Bryant, 2014; Kriauciunas & Kale, 2006; Burton & Beckman, 2007). Thus, arguments have been made that the imprinting influences on subsequent strategic choices of newly founded firms may be a reflection of the founder's prior experience with entrepreneurial business failures and/or successes (Ferriani et al., 2012). Accordingly, while it may be argued that prior successes in business may imprint on current and future firms founded, scholars have argued that prior business failure (unlike success) evokes greater emotions and grief on founders than success (Cardon et al., 2011). To this end, Sitkin (1992) argues that failure is a greater driver of learning than success; hence recent scholarly works have called upon entrepreneurship researchers to deepen current understanding of how entrepreneurs derive knowledge and narratives from their prior experience with failure to influence their newly founded ventures (Mantere et al., 2013).

In sum, while entrepreneurial learning and imprinting processes both help explain how entrepreneurs' past experiences influence their present and future choices, there are some important theoretical differences. Whereas entrepreneurial learning entails drawing useful lessons from failure at immediately following the failure (Kaish & Gilad, 1991), an imprinting process may occur at a later stage and possibly persist throughout the life of a newly started firm (Simsek et al., 2015; Marquis & Tilcsik, 2013). In essence, the momentum and enthusiasm for learning immediately following failure may dissipate after imprinting begins to occur[1]. Thus, by integrating the entrepreneurial learning from failure literature with prior research on organizational imprinting (see Table 1), this study extends current knowledge on the underlying processes through which past failure experiences influence different phases of new business start-ups. We argue that imprinting can be viewed as a stage process, where failure leads to the process of learning, reflection, new business formation, and then a period of imprinting, enabling us to demonstrate that in addition to the positive learning outcomes of prior failure, there is also a contagion consequence of imprinting.

Insert Table 1 about here

Research Design and Methodology: Research Setting

To explore this unfolding imprinting effect of business failure phenomenon empirically, we studied cases of business failures in an emerging economy, namely Ghana (Ofori-Dankwa & Julian, 2013). We focused on small businesses in this sub-Saharan African economy in the sense that the country's projected GDP growth of 8% in 2015 is linked to the successes of privately owned businesses (African Development Bank, 2013). It is estimated that privately held small businesses account for nearly 88.50% of the country's economic activity, suggesting that entrepreneurs owning private enterprises in Ghana are learning lessons from their previous business failures (OECD, 2008). Indeed, Ghana has come to be seen as the trendsetter in African democracy and economic

[1] An anonymous reviewer suggested this concept.

development (Amankwah-Amoah & Debrah, 2010), yet structural imbalances in Ghana's economy and institutional voids (such as weak legal structures and underdeveloped infrastructure) abound, implying that incidence of business failures has not only been rampant but also takes unique forms (Boso, Story, & Cadogan, 2013; Ofori-Dankwa & Julian, 2013). In spite of Ghana's success in reducing private business failure rates, much of its society is still burdened with institutional challenges (including weak legal institutions that are unable to adequately protect privately owned businesses), to the extent that the success of entrepreneurial firms remains largely under threat. In view of this, we contend that Ghana provides a useful case example to show how entrepreneurs' previous business failure experiences imprint on their management of new firms established.

Data Collection

Given the paucity of scholarly works on the imprinting effect of business failure experience, especially from the context of societies with severe institutional challenges, an exploratory research design is considered most appropriate in eliciting insights and illuminating understanding of the business failure imprinting effect phenomenon (Marquis & Tilcsik, 2013; Ogbonna & Harris, 2001). A multiple case-study approach is adopted for two main reasons. First, the approach lends itself to in-depth analysis of the business failure imprinting effect phenomenon and allows unique patterns to emerge (Gibbert, Ruigrok, & Wicki, 2008). Indeed, "evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust" (Yin, 2009, p. 53). The multiple cases approach also allows for cross-case comparisons, which led to identification of patterns and key themes (Eisenhardt & Graebner, 2007; Woodside, 2010). Second, this approach has been found to be appropriate in conducting research in an area where current studies offer limited or no insights, and for examining complex issues in a real-life setting (Eisenhardt, 1989; Leonard-Barton, 1990; Yin, 2009). Case studies are particularly appropriate for investigating contextual questions such as the one guiding the research in this study (Leonard-Barton, 1990; Woodside, 2010). Accordingly, in studying the proposed business failure imprinting effect, we draw insights from multiple entrepreneurs who have experienced business failures across a range of industries and focused on understanding how these entrepreneurs' experiences with business failure indelibly impress upon different phases of running a newly founded business start-up.

Sample Selection

We identified relevant cases and informants for this study by using multiple methods such as direct approach, social networks and the snowballing approach, which have been found to be very effective in conducting studies in underdeveloped societies (Bartholomew & Smith, 2006; Tayeb, 1994). Using networks within the small-business associations and local institutions including churches, we were able to identify potential informants. In addition, one of the co-authors was also a prominent member in the small-business community whose network was utilized to help identify the informants. We studied the informants in two phases. In one phase of the study, we interviewed 22 former business owners/founding entrepreneurs to gain an understanding of the factors that caused their businesses to fail and what the consequences of the failure on the entrepreneurs were. Of the 22 entrepreneurs studied, 15 had moved on to start other businesses. Findings from the study phase one triggered the need for phase study two, which focused primarily on those entrepreneurs who had moved on to establish new firms after their experiences with previous business failure. This, therefore, enabled us to ask the question: how does experience with failure of starting and running a business indelibly impresses itself on the entrepreneurs' post-business failure behavior and choices. For this reason, our sample is mainly confined to this particular group of entrepreneurs who had experienced business failure and had moved on to start a new business. These 15 post-failure business-founding entrepreneurs were further interviewed in depth and archival information about their post-failure business activities closely analyzed to generate a detailed understanding of the business-failure imprinting-effect phenomenon.

The interview questions focused on entrepreneurs' experiences prior to starting their failed business, how the business developed and its eventual demise, the factors that could be attributed to the demise of the business, and the effects of the failure on the entrepreneurs. The entrepreneurs were also asked to elaborate on how their experience with business failure had shaped their subsequent new business management decisions and relationships with others (including business partners, institutions, friends and family). Furthermore, we explored how their experiences with business failure influence their identities and influenced their ability to recognize and exploit new entrepreneurial opportunities. Here we probed how others (including previous partners, friends and family) viewed the entrepreneurs subsequent to their business failure, and how the entrepreneurs eventually mustered courage to start a new business.

In addition, the interviews investigated how the experiences of business failure shaped events and choices made by the entrepreneurs in new start-ups. Each interview lasted about an hour-and-a-half, and was later followed with multiple telephone calls and e-mails to further clarify some key points and ambiguities. Moreover, one of the authors carried out observations of the owners in managing their businesses and in dealing with employees and customers of the newly founded business. With explicit consent from the entrepreneur, archival information relating to the failed as well as the newly founded business (including choice of company name, partners involved, customers served, product/service offered, location of the business, background of employees, etc.) was closely examined.

Insert Table 2 about here

In addition, data from press articles, brochures, business plans, unpublished financial reports and company posters were evaluated. This enabled us to gain a deeper insight into the particular circumstances of each entrepreneur and company studied. The interviews were conducted in the two largest metropolitan cities (i.e. Accra and Kumasi) in Ghana. While phase one of the interviews took place in 2013, phase two interviews were conducted in 2014. Although the interviews occurred within this period, examination of archival data on the entrepreneurs and their businesses started in 2008 through to the final interviews in 2014. In order to maintain confidentiality of the entrepreneurs and their businesses, personal details such as entrepreneurs’ names and their firms’ names have been changed and pseudonyms are employed in the presentation of the findings. Table 2 provides details of the 22 entrepreneurs and businesses studied.

Analyses

We analysed the data in line with the recommendations provided by Miles and Huberman (1994) and Yin (2009). Accordingly, we followed a three-stage procedure to analyze the data obtained: within-case analysis, data reduction and cross-case analysis. The within-case analysis entailed an examination of the responses from each entrepreneur as standalone entities to help identify how the entrepreneurs' experience with business failure impresses on their existing decisions and ways of running a new business. We supported the analysis with archival data on the firms. In analyzing the data obtained, we began by constructing a narrative of how the business failures occurred, the effect of the experience on the each founder, the transition period from each business failure to new business start-up, and processes and learning that occurred during this period.

The interview data were collated and then triangulated with the archival data from the firms including reports, news articles and government reports on small businesses collected from the informants and others sources to help identify unique patterns. The examinations of the materials and detailed case descriptions by the informants helped to mitigate observer bias (Lincoln & Guba, 1985) while concurrently establishing credibility of the interpretations (Wallendorf & Belk, 1989). The data reduction phase entailed submitting some of the transcripts to the entrepreneurs for verification, followed up by telephone calls to cross-check the accuracy of our conclusions from the within-case analyses. This data reduction process helped remove or correct any conclusions that were considered not representative of the views of the entrepreneurs. Subsequently, we conducted cross-case analyses by comparing information across the 15 entrepreneurs and their firms to help determine similarities and differences between them (Yin, 2009). We specifically looked for patterns and commonalities of the entrepreneurs' business failure experiences which helped capture the imprinting effects. The cross-case analysis activities included grouping together common responses to the interview questions from the informants. This synthesis of the informants allowed us to shed light on how the business failure experience of the entrepreneurs manifested itself to influence the behaviors, choices, structures, roles and routines adopted by the entrepreneurs in running their newly founded businesses.

Findings

After careful analysis of the field data, we identified four phases in the post-business failure imprinting effects (see Figure 1). The identification of the phases stems from the processes of moving from data collection to data analysis and then comparing the experiences from each entrepreneur. Figure 1 also serves as our framework of analysis and illustrates the distinctive processes in the evolution of the imprinting effects.

Insert Figure 1 about here

Grief and despair phase

Evidence from the fieldwork suggests that failure appears to have ushered in a period of retrospection in which the entrepreneurs reflected on the failure itself and factors that precipitated the failure. In the wake of the failure, the entrepreneurs entered a period of retrospective sense-making and grief and despair. During this phase, the entrepreneurs exhibited a sense of grief and despair over the loss stemming from the business failure. The case of Participant V helps illustrate this period of post-business failure:

> "*The way the last business ended was very disappointing for me …* It took me about one year to be able to gather the finances and the will to start my [current] bakery business."

For this entrepreneur, this period is mainly about mourning the loss of the business, which is consistent with Shepherd's (2003) suggestion that loss of a business generates a negative emotional response (or grief) from the entrepreneur. Given the root of the business within the family, the grieving period continued for several months after the closure before receding. In this respect, not only does the entrepreneur grief because of the loss of the business, but also the because of impact of the loss on the family. This is because this entrepreneur was constantly reminded during family events about his role in the failure of the business, further deepening his feeling of guilt. As the grieving over the business loss wanes over time, founding a new business becomes a restoration process that the entrepreneurs used to recover from their previous business failure. Participant F concurred with this finding by noting that:

"*After I lost my first business, I was very down … but six months later, I started another business*."

This entrepreneur was so ashamed for letting down his family that he distanced himself and withdrew from family gatherings after the business closed down. Reflecting on the losses, many of the entrepreneurs had concluded that starting another business was not a viable option for them to distract their minds from the loss while also restructuring their business lives (see Table 2).

Evidence from the data showed that in some cases (i.e. Participants D, I and M) the informants started their new business in the same industry (see Table 3 for further details). Prior knowledge and expertise and networks of relationships in the industry motivated the entrepreneurs to re-enter the same industry. This is in line with prior scholarly works that have identified the influence of social and human capital in subsequent entrepreneurial business engagements after a setback (e.g., Stam, Arzlanian, & Elfring, 2014). This period also ushered the entrepreneur into a learning process whereby the entrepreneur begins to evaluate the forces that may have caused the previous business to fail, including the constraints of the business environment, and the entrepreneurs' own prior decision choices, actions (and inactions) and business orientation. In this post-business failure phase, the entrepreneur drew useful lessons from the past to inform current decisions on the type of new relationships to be established with business partners, and kind of resources and knowledge required to launch new business. Thus, knowledge from previous experience with business failure served as a template to influence the entrepreneurs' subsequent new start-up decisions. This grief phase, therefore, involved the process of reconciliation with key stakeholders and learning from past failures.

In addition, we find that the entrepreneurs at this phase attempted to assemble important resources and networks to develop plans to launch a new business. We find that while the entrepreneurs viewed their business failure from the lens of "an end of long-term relationship with someone or a marriage, devoting life savings, resources and times to develop and nurture", the grief is followed by turning the experience with the loss into an opportunity. Here, we find that the entrepreneurs deliberated on the lessons they had learnt from the failure that should be brought into fore in the launch of a new business. In some cases, it took the entrepreneurs two years to complete reflecting on the loss before deciding to move on. For instance, Participant K took two years to recover and start another business, L took two-and-a-half years, M and V took one year each and P took one-and-a-half years. In sum, we find that this period of post-business failure grief and despair, irrespective of how long it took, afforded the entrepreneurs opportunity to reflect upon where may have gone wrong, deliberate upon lessons learnt, evaluate stock of resources and networks left, and assess the business environment further before acting to launch a new business start-up.

Insert Table 3 about here

<u>Transition phase</u>

The reflection period of grief and despair was found to lead to a transition period, which focused on new idea conception and the process of resource reconfiguration. This is made possible when entrepreneurs are able to detect potential market opportunities, secure financial support and identify new ways to serve an underserved market. The ideas are often informally developed at this stage. Our findings indicate that some participants (B, C, D, I, K, N, O, P and S) inherited some valuable knowledge and assets from the failed business. This period represented the first step towards "bouncing back" from the failure. We uncovered that the entrepreneurs' family unit played a key role in their recovery from the failure. The entrepreneurs studied were determined to "bounce back" and the family assistance allowed them to re-engage with the business world, with a strong desire to succeed in future ventures. The entrepreneurs, who had not internalized the loss of their business, were able to recover quickly and engage in other business activity relative to those entrepreneurs who attached excessive emotion to the failure. How knowledge, skills and resources are reorganized from the failed business and applied to a newly founded firm is succinctly illustrated in the case of Participant S, who noted that:

> "When I was doing my *'susu'* [a local name for a micro finance business], I came across a lot of *different people who needed help with schooling but couldn't afford it. After my business collapsed, I*

decided to go and train as a primary school teacher, which took two years. Afterwards I used my old contacts and set up a small school teaching little children."

For this entrepreneur, ending the old venture was emotionally exhausting and he therefore required time to overcome the emotional burden and for things to "cool down". Participant N recalled the experience and steps taken:

> "*I kept so many of my old contacts and maintained a lot of my relationships from before … When the* time came to start my new shop, I had a ready-made customer base. I learnt a lot from my old business about how to retain customers."

A key source of learning for this participant was the realization that the venture had ended and a belief that the past cannot be altered, but the past provided a schema from which to shape the future. Similarly, Participant D recalled the failure experience as follows:

> "*It took about two months after the shop failed before I decided to start a new shop … by this time I still had some of the books and stationery from the old shop. I started a new shop because I didn't* want to quit after the last business went bust. I became more motivated to make this one a success."

For this entrepreneur, it can be said that business failure, despite its grief and despair imprinting effect, is also a source of new business management know-how that entrepreneurs use to implant on their new business start-ups. The importation of experience from business failure to define a new approach at founding a new business is also illustrated in the case of Participant I. From its inception, the firm combined the experience of business failure with key contacts and networks to overcome new business financing barriers. As the owner reflected:

> "*I kept a lot of my contacts … I decided to start thinking about what I was going to do next. About* nine months *after the old business "finished", I used my contacts and experience to start a new* business."

In other words, having hosts of contacts and networks became a booster of the imprinting effect of business failure experience on an entrepreneur's ability to exploit new business opportunities. For this informant, it was particularly difficult to launch a new business due to the fact that this entrepreneur's family was not exposed to prior business failure. However, this entrepreneur's experience of dealing with customers and clients during the good days of the failed business had earned this entrepreneur loyalty from former customers which were then tapped into during the launch of the new business. This indicates that the founding conditions can have long-lasting benefits for a newly founded firm.

The formation phase

During this period, the former owners bring their prior cognition and experiences to bear on their new business and to put their stamp on the environment. First, from the wider macro-environment, all the firms were established in the early 2000s, a period when the Ghanaian economy was growing at an accelerated rate. The political and economic conditions surrounding the formations were favorable for the development of small businesses which was a shift from the pre-2000 period when such firms' progress was seen to have been stifled by bureaucratic government systems and numerous regulatory obstacles. In addition, there were a number of government-driven training courses for the small-business owners and new starters which were attended by some of the firms (B, K and S). The events alerted them to new sources of support. The stable political and economic system provided the backdrop to the establishment and founding of the 15 firms. However, this appeared to have had minimal effect in the approaches and processes adopted during the formation stage. Our fieldwork indicated that one of the windows of "imprintability" (Marquis & Tilcsik, 2013, p. 201) was at the formation stage. This is when the owners were extremely determined to overcome the social stigma of being seen as a failure and make something out of their predicament. They wanted to ensure that they did not compromise the opportunity given them by society and families to start afresh. From the founders' perspective, the post-failure environment appeared to represent a sensitive period for them to reflect on the failure and devise a strategy to 'bounce back' and not to fail a second time. Against this backdrop, the conditions and decisions taken during the early phase of the new firms were planned after the failure and executed after the formation of the new business.

Insert Table 4 about here

Table 4 sheds light on the evolution and nature of the imprinting process and effect after the business failure. This period focuses on the execution of ideas and plans that materialized during the transition period. The firm eventually opened its doors to customers and took concrete steps to attract customers and clients to the business. Indeed, the establishment of the new firm provided an opportunity for the owners to bring in trusted former colleagues from the failed business to help chart a new course. As Participant V noted in reflecting on his experience and decision to bring some of the former colleagues to the new organization:

> "I learnt that I had been far too hard on my workers. So now I try to take it easy even though, it is important that we get things done when we say we are going to do them."

This also reflected in the founder's desire to learn from the experiences and issues identified by the colleagues as minor contributory factors to the demise of the former business. Unsurprisingly, there is a general sense of relief and satisfaction from all the informants in reaching this stage and in charting a new course for their families and new business. Participant F puts it this way:

> "I regained my strength back ... started a small business repairing electrical goods which is going very well now. I am looking to expand my business."

However, there is a general sense of relief in taking steps to help minimise the social stigma stemming from the experience of business failure. For the entrepreneur, this reduces the extent of "finger pointing" and derogatory comments about their expertise and former businesses in public. It is worth noting that the experience of business failure has provided an opportunity for the redeployment of knowledge and expertise from the departed firm to the current firm. This also includes past routines, market knowledge and expertise in operating segments of the market. Some of the new ventures lacked an existing alliance network but previous experience of betrayal of trust by others and backstabbing by rivals made them reluctant to engage in any collaborative venture (detailed discussion follows).

The founders' legacy phase

Strategic legacy in this context refers to "the enduring influence of the initial strategy of the founder of an organization over the actions of successive strategic decision-makers" (Ogbonna & Harris, 2001, p. 14). As Baron et al. (1999, p. 532) pointed out, "once formulated and articulated, a founder's organizational blueprint likely 'locks in' the adoption of particular structures; it also "locks in" certain premises that guide decision-making." Our study uncovered the existence of a founder-inspired organizational routine, process and strategy stemming from the experience of business failure. Notably, the legacy period was marked by a number of initiatives by the founders to put their signature on their organization. One of the objectives was to ensure that the founders took actions to mitigate the factors that precipitated the demise of the former businesses re-emerging to affect them and even bring about the collapse of the new business. Our data revealed that persistent characteristics such as culture, routines and self-identity were imprinted on the new organizations. In these cases, the founders' values, beliefs about the cause of previous failure and perfected routines of doing things then become imprinted onto the new venture and its culture, strategies and norms. These points are perhaps best illustrated by the case of Participant L. The participant recalled:

> "When the old business was in trouble I said to myself that I was going to take all the things I had *learnt and put them into a new business … I was "stuck in grief" for some time. I came to realise* that I had to move on and become my own boss (i.e. the only decision-maker). You see from before *(during previous venture) I took advice from XXX (the "abusiapanin") (i.e. local term for the head of the family and a wise man) and it failed me … I still respect him but not on business decisions."* (Participant L)

Relying on the advice of the "abusiapanin" (an elderly extended-family member) is not uncommon for founding entrepreneurs in Akan communities in Ghana. Although they often have no experience or knowledge about starting new ventures, they are traditionally considered to be knowledgeable individuals who are endowed with wisdom to advise on "all matters" and, therefore, capable of performing the role of a board chair. Another participant puts decision-making style as follows:

> "After all the problems, I went back to church, talked to colleagues (other business founders) and *my extended family … I realised that my old approach to decision making was not good. It was too* slow. It took too long to buy new merchandise for the store. Now I can say that I make very quick decisions." (Participant V)

Another way the entrepreneurs imprinted their legacy on the new firm was their tendency to engage in collaborative ventures. For participants such as I, K, L, M and Q, one of the factors precipitating the demise was departure of co-owners of the failed business; they become increasingly reluctant and resistant to enter into any collaborative arrangement. At least in the "early phases" and subsequent evolution, some of the owners became reluctant to enter into partnership with anyone.

The legacy of the previous experience of business failure is evident in the present-day operations of the firms, as Participant Q reflected:

> "Six months after my old partnership in the salon was dissolved, I was able to set up my own hair-dressers ... I learnt that customer loyalty was very important for a successful business. The way the old business collapsed really affected the way I think about business and how important it is to have partners you can trust. Now I am cautious and my business is thriving."

Participant I concurred:

> "You need to be very careful of the people you go into partnership with; the people you think you know and trust can be very different once you start doing business with them."

Consequently, the entrepreneurs have become increasingly reluctant to trust not only their rival firms but also those potential business partners they encountered. In these limited cases, the experience of business failure appears to have blinkered the founders to the point that they are increasingly reluctant to engage in collaboration ventures. The experiences of the founders appear to have endured over time and restricted the strategic options. This appears to be some kind of "strategic hangover" (Ogbonna & Harris, 2001) which constrained the number of strategic options. Another theme to emerge from our data was that events surrounding the failure have had a long-lasting positive and negative effect on the approaches adopted by the owners (see Table 4). Data analysis also reveals widespread evidence that all but one (i.e. F) of the 22 participants were affected by rumours and misinformation spread by rival firms. These experiences meant that the owners became increasingly wary of rivals and "backstabber alert" in their dealings and relationships with others in the same line of business. One of the visible manifestations is illustrated using the case of Participant M who explained:

> "Given what happened to me last time, the (false) rumors and backstabbing, now I look out the window most of the time for any backstabbers."

This participant believed that with an ethos of hard work and always watching out for the rivals and backstabbers, they will be able to survive threats and make a healthy profit margin. This issue was particularly important to the informants given that they operate in largely informal economies and therefore any attempt by rivals or allies to "bad-mouth them in private" is likely to have a debilitating effect on the business. It has become increasingly clear that inter-firm backstabbing stemming from competition for customers has shaped their outlook. The period also marked a shift from reaction to rivals in the previous business to a more proactive environment, scanning, identifying and responding to changes in the competitive landscape. Participants (L, M, P and H) expressed that the experience of failure has had some positive influence as a source of learning from failure and accumulation of knowledge has been the basis for building new businesses. The case of Participant P provides further insights into how the participants were able to tap into the expertise and network of relationships established during their former business which provided the backdrop and support for them to move to start the new business. The participant explained:

> "Because I had knowledg*e of ICT and cosmetics, I didn't panic when it looked like my modelling business* was in trouble. I tried as much as possible to stay on good terms with my former customers ... a lot of those customers now patronize my cosmetics shop so much that they are asking me to start my modelling *agency again, which I will in time but it's already taken me a year*-and-a-half to come this far."

It has been argued that these steps and actions have helped ensure that the founders are in control of the destiny of the firms. Although this participant is now less involved in the running of the new business, the legacy and continuous learning from the experiences secured the appointment of his son who followed the same ethos. During this phase, the owners imprint their mark on the new organization and chart a new strategy rooted in their prior experience of failure. This period focused on establishing and locking in an organizational culture that largely reflects the founders' experiences of business failure, personal beliefs and their philosophy.

Our field data indicate that imprinting effects of business failure are not only common to the founding period but also persists in shaping a firm's strategy and deployment of resources and capabilities even after the formation. Intriguingly, the experience of business failures appears to have both short-term and long-term effects in the resource utilization and deployment of the firms. The short-term effects focused on day-to-day operational measures, whereas the long-term effects are the strategic measures learnt from the failure. Figure 2 illustrates instances of how both positive and negative effects of failure can be imprinted onto a new organization. It demonstrates how causes of the former business failure and features of the departed firm cumulatively become imprinted on the new organizations.

Insert Figure 2 about here

Discussion and Implications

The primary purpose of this study was to explicate how entrepreneurs' business failure experience influences successive entrepreneurial business engagements. Drawing insights from research on entrepreneurial learning from failure and organizational imprinting, and multiple cases of entrepreneurs with business failure experience in an emerging economy, we uncovered how four distinctive phases of post-failure new business formation (i.e. grief and despair phase, transition, formation and the founders' legacy) are shaped by the entrepreneurs' failure experience. Findings from the study indicate that business failure experience has both short-term and long-term influences on the strategies, processes and routines adopted by entrepreneurs in their new start-up firms.

At the grieving phase, the entrepreneur engages primarily in reflecting and drawing lessons from the circumstances leading to the prior business failure. While the negative emotions that follow the failure influence the entrepreneurs' subsequent decision options considered (Shepherd, 2003), we found that the failure experience also serves as a stock of knowledge and information from which the entrepreneur derived useful lessons. As the entrepreneur recovers from the grief of loss and enters a transition phase of conceptualizing new business ideas, the entrepreneur transfers knowledge from the failed venture to inform key decision choices (Yamakawa & Cardon, 2015). With the lessons learnt from prior failures, the entrepreneur, as a bricoleur (and a resourceful) individual, redefines and reconfigures whatever resources left available, develop relevant skills (and know-hows) and redeployed these to launch a new business. Our findings demonstrate that when an entrepreneur enters the formation phase of post-business failure, they deploy their emotions and cognition to organize prior knowledge about identifying and exploiting new entrepreneurial opportunities, subsequently influencing the values, processes and routines adopted at the new business (Gaglio & Katz, 2001).

At the legacy phase, we uncovered that we find that the entrepreneurs with failure experience build an organizational culture that largely reflects their prior personal beliefs and philosophies of managing a new business. This finding is consistent with research on reasoning and decision making that shows that individuals have difficulties discarding old philosophies and believes about the right way of managing an organizational entity (Tsang & Zahra, 2008; Zheng, 2012). Thus, these findings help explain why it is important that entrepreneurs of newly started ventures need to unlearn their deeply held behavioral orientations to avoid rules and competency traps in order to break from their past failures in subsequent new business creation (Akgün, Byrne, Lynn, & Keskin, 2007).

Importantly, the study revealed that some entrepreneurs drew on their previously established networks and connections of prior employees to help start a new business. On the bright size, arguments can be made that the entrepreneurs' propensity to draw on established networks is consistent with the social capital literature in entrepreneurship: business networks help facilitate learning and strengthen entrepreneurs' ability to leverage their experiences to create new businesses. A major suggestion is that much of the learning that takes place in entrepreneurial firms is experiential in nature, often learned from prior business and social networks that entrepreneurial firms established (Stam, Arzlanian, & Elfring, 2014). Thus, while the entrepreneurs in our study may have been constrained by liabilities of prior failures, resource limitation, and newness, they are able to create and develop new ventures by leveraging their existing networks to access new resources and boost their legitimacy for successive engagement (Adler & Kwon, 2002; Stam et al., 2014; Myint, Vyakarnam, & New, 2005).

However, De Carolis et al. (2009) draw attention to the fact that a reliance on strong network ties may not enhance the progress of all new ventures, thus, bringing into focus a potential dark side of utilizing strong ties in new business creation. The logic backing this line of argument is that greater closeness can produce affective socializing ties that can have undesirable outcomes for entrepreneurs recovering from failure. For example, a deep identification and satisfaction with one relationship can cause entrepreneurs to shut their doors to other sources of new business information. By contrast, a weaker tie with existing networks allows basic knowledge sharing and collaboration allowing the entrepreneurs to open their mind to divergent ideas, which can help broaden the options considered when creating a new business.

For entrepreneurs recovering from failure, access to diverse resources and multiple sources of information beyond the borders of a closed network is more likely to boost the entrepreneurs' ability to create a successful new venture. Thus, it can be argued that perhaps it is self-defeating for the entrepreneurs in our study to rely heavily on their strong ties to existing partners to create new businesses, as those existing networks may have contributed to the failure in the first place; hence greater reliance on such networks in the formation of a new business is likely to produce another failure. Accordingly, the study enriched current understanding of how the effects of past business failures diffuse to influence subsequent new businesses created. In so doing, our work sheds light on the extent to which past experiences of entrepreneurs endure beyond the grieving and transition phases as reported in prior research to include prior failure influences on the type of organizational forms adopted in managing and growing new start-up firms (Powell & Sandholtz, 2012). The study also extend knowledge on the complexities of using existing resources and networks in new business creation, and responds to Bryant's (2014) call for research to examine the complex processes and stages through which features of the past become imprinted onto management of new start-up firms.

Contributions to theory and practice

Our study makes additional contributions to business failure, entrepreneurship and entrepreneurial learning literatures. First, despite the surging stream of research on how entrepreneurs learn from business failure (e.g., Cope, 2011; Politis & Gabrielsson, 2009) and effects of business failure on entrepreneurs' subsequent entrepreneurial engagements (e.g., Shepherd, 2003; Yamakawa & Cardon, 2015), we still know relatively little about how entrepreneurs draw lessons from previous experiences with business failure to shape the behaviors, processes, and routines adopted in successive new businesses. We depart from prior research by articulating the mechanisms through which entrepreneurs' prior failure experiences impact on different phases of new business start-ups.

In addition, the study also demonstrates that the life cycle loop goes beyond the well-known stages of birth, growth, maturation and demise (Garnsey, Stam, & Heffernan, 2006) to incorporate a legacy period, thus providing entrepreneurs with an intriguing understanding of new firm creation.

Moreover, findings indicate that entrepreneurs' prior experiences with business failure can exert both positive and negative influences (through positive experiential learning or by curtailing of entrepreneurial actions) on the approaches adopted in subsequent founding of a new business: failure experiences constrain the strategic options considered by entrepreneurs but also foster their learning in the formation of a new firm. Thus, our findings provide evidence to support the notions of the "strategic dividend" and "strategic hangover" effects advanced by Harris and Ogbonna (1999) and Ogbonna and Harris (2001) as possible outcomes of business failure experience. In addition, our work highlights that factors leading to exit and conditions at founding of a new firm both have an enduring influence on the new firms subsequently started.

From a practical standpoint, we find evidence to show that entrepreneurs that draw lessons from business failure experiences are able to devise strategies that are more proactive in anticipating and responding to changes in the business environment. In addition, our findings suggest that individuals' ability to learn from their past failures prior to starting a new business is a major driver of the character and success of new venture subsequently started. Specifically, drawing on the organizational evolution literature, we show how failure-restart process occurs in four sequential phases (i.e. Figure 1), enabling us demonstrate in detail the dynamics of failure experiences and new business creation outcomes. This sequence of the four dynamics offers a new logic for entrepreneurs wanting to start companies following prior failures: the data reveal what has been a completely opaque part of the organizational life cycle, namely the movement from the demise of one venture to the emergence of another.

Furthermore, the entrepreneur takes conditions in the external environment into account when deliberating on the forces that may have contributed to past failures. For example, some of the entrepreneurs studied discuss issues relating to how competitors spread rumors, which may have contributed to their business failure. While this finding closely mirrors the “nemesis” concept discussed by Mantere et al. (2013), it also shows how forces beyond the control of the entrepreneur may also contribute to prior failures. Thus, although feedback information from the reflection and learning phase presents a useful opportunity for entrepreneurs to unlearn old beliefs and adapt to new ways of doing things, the entrepreneurs in our study seem to have imported their old belief and value systems to bear at the formation phase of their newly founded businesses. This finding is in line with the imprinting literature that suggests that prior knowledge of entrepreneurs and entrepreneurs’ tendency to attribute their failures to external forces may influence subsequent behaviors adopted in new firms created (e.g., Beckman, 2006; Simsek et al., 2015). This is because entrepreneurs, like any individual, draw on past experiences to organize and configure their knowledge in subsequent new business creation (Gruber, 2010; Bryant, 2014; Dencker et al., 2009). Therefore, past experiences, entrepreneurs’ cognition, and the difficulty of unlearning entrenched beliefs and behaviors, and the tendency to attribute failures to the actions and inactions of others mean that the same old belief and values systems, procedures and structures accustomed to in the past are likely to be imported to the new business at the formation phase (Eesley & Roberts, 2012).

Beyond the entrepreneur, the stories presented in this study also have important implications for all employees who ‘fail’ on a project or organizational endeavour: that failure is not the end of the road but rather, failure gives birth to a new start and legacy that lives on. Entrepreneurs and their management team should, therefore, seek to learn from their past failures rather than allow themselves to held hostage by failures before them (Simsek et al., 2015). All in all, the findings from this study allow us to show why it is important to “normalize” the notion of failure in societies where failure continues to be stigmatized and unwelcome. As the stories in our study indicate, failures and losses are essential part of human life (Cope, 2011). Failure provides a solid platform for us to learn to build capacity to be resilient in difficult times. To succeed in our endeavors, there is a requirement to be humble and bold to accept failures. It is easy for us individuals to claim that we are able to build something new for the world; however, a bigger task is for us to be able to exercise humility and boldness to confront failures and errors that come along when creating something new (Bullough, Renko, & Myatt, 2014). As findings from this study show, the path to long-term success is forged through processes of learning from failure and adapting to new ways of doing things, and these are made possible through our proclivity to be proactive and responsive in drawing insights from the failures before us.

Limitation and direction for future research

Notwithstanding these contributions to entrepreneurial learning theory and practice, our ability to draw definitive conclusions is severally limited by a number of factors. First of all, the study employed a small sample and focused on founders in a single country context with unique cultural and social features (e.g. family and religious values and norms). These society-specific factors may shape people's attitudes and perceptions of business failure. Therefore, the findings might not be generalized to societies where business failure may be welcome differently. Second, our study only provides evidence of the immediate effects of failure experience on subsequent new venture creation. Future research should seek to examine the longevity of failure effects on entrepreneurs' future behaviors and to assess whether the effects fade with time. This is particularly important given that scholars have remained silent on whether imprinting effect of failure occurs over a limited period of time or persists over a long period of time (McEvily, Jaffee & Tortoriello, 2012).

In addition, there is also a need to explore the possibility that imprinting may produce constraints or benefits beyond the so-called "sensitive period" or even throughout the life of a new business. Another promising avenue for future research would be to seek larger cross-country data to provide further insights on the issue. This has the potential to further enrich our understanding of the extent to which imprints fade over time. Finally, future research is needed to explore in-depth how and why entrepreneurs started similar or different businesses the second time around. For example, if an entrepreneur started a business in a completely different industry than his or her first venture, the value of networks/social capital and learning may be reduced relative to if the entrepreneur were to start the second business in the same industry. On the other hand, if the previous failure stigmatizes the entrepreneur, starting a business in a new industry may be beneficial in the sense that the entrepreneur then becomes either unknown among actors in the new industry or the new industry may provide the entrepreneur with an opportunity to start afresh without the stigma from the first industry. Our hope is that this work serves as a catalyst for further scholarly works on organizational imprinting.

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Table 1: Imprinting and related construct in the literature

Concept and key authors	Description/context-specific effects
Imprinting (Marquis, 2003)	Imprinting process occurs over time and shaped by the experiences of the founding entrepreneur.
Entrepreneurial learning (Cope, 2011)	Exploration and exploitation of information. Exploring and searching for, analyzing, and then utilizing new information. Learning provides an opportunity for entrepreneurial firms to flourish.
Entrepreneurial failure (Mellahi & Wilkinson, 2004; Sarasvathy et al., 2013)	Entrepreneurial failure induces contagion and positive experiential effects.
Our construct	Our study synthesises insights from the above perspectives to contend that imprinting can be viewed as a stage process, whereby an entrepreneurial failure experience triggers a process of learning, reflection, new business formation, and a period of imprinting. The experiential knowledge gained along the stages can shape the nature of imprinting.

Table 2: Summary of informants' details

Participants/ business founders	Industry of parent organization	New business formation?
A	Provision store	No
B	Communications	Yes
C	Laundry	Yes
D	Stationery	Yes
E	Clothing store	No
F	Printing press	Yes
G	Barber store	No
H	Beauty parlour	No
I	Car rental	Yes
J	Bar/restaurant	No
K	Printing press	Yes
L	Printing press	Yes
M	Bar/restaurant	Yes
N	Communication services	Yes
O	Communication services	Yes
P	Modelling agency	Yes
Q	Satellite support services	Yes
R	Beauty salon	No
S	Susu (Financial services-micro-financing)	Yes
T	Mechanics	No
U	Electrical services	No
V	Clothing store	Yes
W	Financial services	Yes

Codes for the evidence "new business formation" category are as follows: "Yes"; started another business. "No" unemployed/in transition or now employed by another firm.

Table 3: Summary of informants' details and nature of the new businesses established

Founding entrepreneur s	**Industry of failed firm**	**Timeframe (the period from exit to new business formation)**	**Background to the new firm**
B	Communications provided information for house buyers and renters	1 year	Established a web-based service for new companies. Focus is normally on learning from the past mistakes.
C	Laundry	18 months	Formed a consultancy to advise new businesses after laundry business failed.
D	Stationery shop	2 months	Established a new stationery shop after failure of the previous shop.
F	Printing press	6 months	Previously ran a printing press. New business is an electrical repair shop.
I	Car rental	9 months	New car rental business. Loss of income from old business due to unscrupulous partners.
K	Printing press	2 years	Printing press failed but established new retail shop.
L	Printing press	2 and a half years	Started a new provisions store after the old one failed.
M	Bar/restaurant	1 year	Established another restaurant during the decline.
N	Communication services	4 months	Established an electronics shop after old technology retail shop failed.
O	Communication services	3 months	After the failure of the card recharge centre. Established a "communications shop".
P	Modelling agency	18 months	Started a cosmetics shop after the failure of the modelling agency.
Q	Satellite support services	6 months	Started a new hair-dressing business after the dissolution of old partners in similar industry.
S	"Susu" business	2 years	Started a nursery school after the failure of micro-finance business.
V	Clothing store	1 year	Started a bakery after the failure of a clothing retail business.
W	Financial services	1 month	Established a wholesale mobile devices unit after developing from a "recharge transfer shop".

Table 4: Source and effects of the imprints among the case firms/participants

Environment	Source of imprints	Illustrative quotations and evidence	Similarities among case
Knowledge diffusion and learning at founding	Previous firm	"When the old business started to lose customers, I knew it would close eventually ... wanted to start another business, so I kept in touch with a lot of the customers ... The lack of customer care was a big let-down in the old business and I decided to make this right once I had the chance to own my own shop. Three months after my old business finished I was able to set up my own business with some help from family and friends" (Participant O). "We managed to retain the business plan for our previous business and the Java codes for the application … This formed an essential underlying factor in creating the new business" (Participant B).	All case firms
"Strategic hangover" (i.e. negative effect)	The initial operations were shaped mainly by the experience of failure	"First of all, when things fell apart, I thought for a moment that there was no way back…looking back I can say now I do not trust the rival businesses to play fair" (Participant M).	All but Participant F

* denotes evidence from archival and interview data.

Figure 1: An evolutionary phase model and framework of analysis

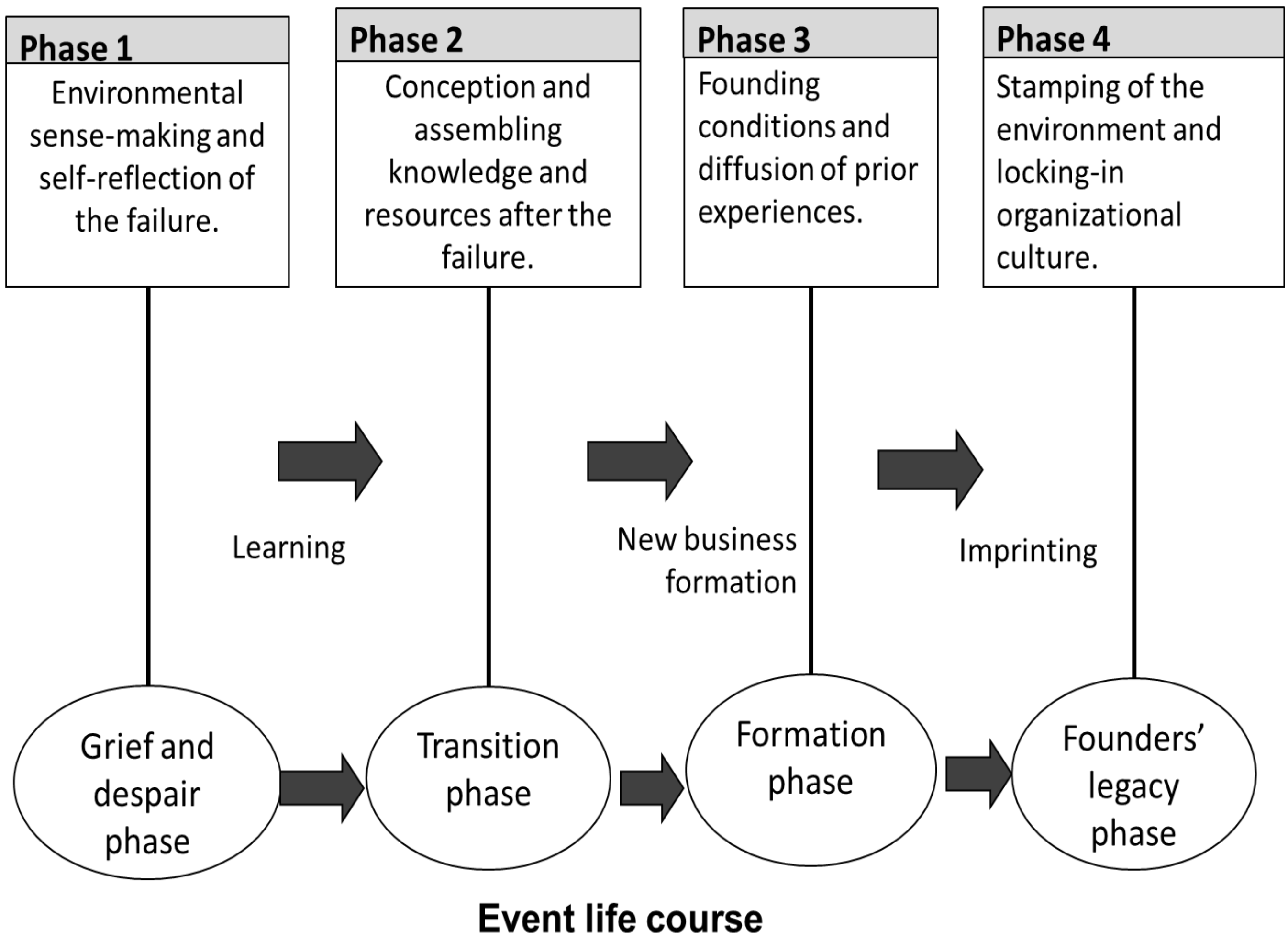

Figure 2: A process model of organizational imprinting effects