



**BRITISH ACADEMY  
OF MANAGEMENT**

---

**BAM**  
CONFERENCE

---

**3RD-5TH SEPTEMBER**

**ASTON UNIVERSITY BIRMINGHAM UNITED KINGDOM**

This paper is from the BAM2019 Conference Proceedings

**About BAM**

The British Academy of Management (BAM) is the leading authority on the academic field of management in the UK, supporting and representing the community of scholars and engaging with international peers.

<http://www.bam.ac.uk/>

## **Bouncing Back from Bankruptcy - Narratives of Entrepreneurial Antifragility**

### **Introduction**

Bankruptcy can be deeply traumatising for entrepreneurs' and their families because it involves a significant decrease in revenues and/or a substantial increase in expenses to the extent where the entrepreneur becomes insolvent; without the ability to attain equity funding and subsequently cannot continue to function under the current owner (Shepherd, 2003; Moulton and Thomas, 1993). Bankruptcy can thus be classed as a complete business failure where the possibility to restart can be very minimal, with only 19-30% of business owners starting up again (Walsh and Cunningham, 2016; Westhead, Ucbasaran et al 2005; Hyytinen and Ilmakunnas 2007). The sheer of impact of bankruptcy can deter an entrepreneur's creation of future companies as it has been found to be severely detrimental to their physical and psychological health, causing huge grief coupled with the process being described as comparable to the death of a loved one (Shepherd, 2003; Van Kesteren, Adriaanse, et al 2017)

Existing research on 'renascent entrepreneurs'—company owners who have started up again post exiting a business or the firm failing have extended our understanding on entrepreneurs' learning and personality traits (Byrne and Shepherd, 2015; Nielsen and Sarasvathy, 2011; Ucbasaran, Westhead, et al 2008). Other work has also shown how entrepreneurs' deal with the social stigma that comes from a business that has gone bust (Wyrwich, Stuetzer et al 2016; Shepherd and Patzelt 2015; Cardon, Stevens, et al., 2011), and the impact of differential bankruptcy policies on their livelihoods post-bankruptcy (Metzger, 2008; Van Auken et al., 2009).

However, we still know very little as to 'when', 'how' and 'why' some bankrupted entrepreneurs attempt to start another business post-bankruptcy. Given that over 100,000 people, including business owners, go bankrupt in the UK annually (BBC, 2019), such studies have the potential to extend our understanding as to why some entrepreneurs are more likely to bounce back post-bankruptcy, their sources of courage, and how they come to identify potentialities to start a new business.

In response, through drawing on the concept of antifragility (Taleb, 2012) as a meta-theoretical lens, this study will examine stories as recounted by entrepreneurs who have gone through bankruptcy to explore why some business owners are able to restart a company post-bankruptcy. The antifragility perspective suggests that an individual or a set of processes gets stronger from being subject to stressors and trauma (Taleb, 2012). At its core, antifragility goes further than being resilient, as the resilient endures pain and can survive, the antifragile in fact benefits from the pain (Taleb, 2012). It is explained as a convex reaction to a source of stress leading an individual or organisation to handle this unpredictability and stress better than they initially did (Taleb, 2012).

### **Literature Review**

There is a whole range of reasons why entrepreneurial firms fail and an entrepreneur is declared as bankrupt and these can involve both internal and external factors (Numani, 2017). From an internal perspective, scholars have shown how the experience of failure can hamper future learning due to the grief that a firm owner can encounter which can cloud their judgements (Shepherd, 2003; Shepherd, Covin, et al 2009; Yamakawa, Peng, et al 2015). Fang, Singh et al (2018) have more lately further supported this, demonstrating that failure may cause feelings that could hinder the former business owner's learning. Cope (2011) has revealed that failure is paradoxical in its nature as it can in fact enhance an entrepreneur's preparedness in starting their next business as well as be of a hindrance too. Despite that, the psychological costs of failure can be harmful, destroying the emotional

relationships the owner has with others due to feelings of embarrassment which can impact future business ventures (Jenkins, Wilkund, et al 2014; Wolfe and Shepherd 2015a, b; Singh, Corner and Pavlovich, 2007).

However, several scholars have also found entrepreneurial human capital experience and the risk-taking element of entrepreneurship has helped many business owners start afresh with a new enterprise (McGrath, 1999, Metzger, 2006, Byrne and Shepherd, 2015; Nielsen and Sarasvathy, 2011; Ucbasaran, Westhead et al, 2009). Conversely, business owners that restart a company again after failure (including bankruptcy) have been found to fail again despite the previous human capital from the former ownership of a business (Metzger, 2007; Van Kesteren, Adriaanse, et al 2017).

Nevertheless, irrespective of the mixed views of entrepreneurial learning, from a personality perspective, Hayward, Forster et al (2010) have demonstrated that more confident entrepreneurs are likely to rise from the ashes of their failure because of the resilience they have developed which is applied in successive ventures. Others have also shown repeat entrepreneurs' disposition is more optimistic than their novice counterparts which influences how they perceive risks (Ucbasaran, Westhead, et al 2008; Baron, 2004). Additionally, previous literature has indicated how a business owner's attributes blame, meaning how they explain the causes of the behaviour can impact their entrepreneurial re-entry (Walsh and Cunningham, 2016; Eggers and Song, 2015).

Externally, financial factors are key in determining entrepreneurial re-entry post-bankruptcy (Metzger, 2008; Dyer, 1994; Van Auken, Kaufmann, et al 2009). An array of work has exhibited a positive correlation between the leniency of bankruptcy policies and the likelihood of an entrepreneur starting a business again (Lee, Peng and Barney, 2007; Peng, Yamakawa, and Lee, 2010; Eberhart, Eesley et al 2017).

Alternatively, other literature has revealed that it is societies attitudes towards the failure of the business and stigma attached to it can impact an entrepreneurs' re-entry (Shepherd and Haynie, 2011, Cardon, Stevens, et al 2011; Walsh, 2017; Kirkwood 2007). Further work has also demonstrated that entrepreneurial perception in society is cardinal in shaping future entrepreneurial decisions (Wyrwich, Stuetzer et al 2016; Shepherd and Patzelt 2015).

Overall, research in the area has looked at a host of factors that impact renascent entrepreneurship following business failure, primarily focussed on entrepreneurial learning and a business owner's outlook post failure in addition to overcoming the financial constraints and social stigma attached to bankruptcy. One can also see that both internal and external factors influence entrepreneurial re-entry and therefore they cannot be looked at in isolation of each other. It can be inferred that more work is required on these areas to clarify current findings. Specifically, how entrepreneurs overcome bankruptcy as part of their learning process as some of these studies do not include these types of business owners, but instead focus on those who have just failed by losing a significant amount of money (Ucbasaran, Westhead, et al 2008; Eggers and Song, 2015). To be even more precise, research is needed on the 'when', 'how' and 'why' those who have been bankrupted overcome the challenging experience to restart again with focus on their courage. The topic is also required to be explored qualitatively as a lot of research in the domain of renascent entrepreneurs who overcome business collapse is conducted with quantitative measures (Walsh and Cunningham, 2016)

An antifragile approach will be applied to this study, showing how company owners become better off through going through bankruptcy (Taleb, 2012). Recent scholars in the area of antifragility have presented the notion of an antifragile personality, whose modus operandi on how to act within the world gets better when faced with immense uncertainty as they ultimately benefit from "trial and

error” (Markey-Towler, 2018; Bridge, 2018). The approach will specifically examine the behavioural traits of entrepreneurs who have conquered the social stigma, financial struggles and other negative effects of bankruptcy in the quest to courageously start again.

The following research questions will be driving the research inquiry:

- 1) How does entrepreneurial antifragility come to be identified and labelled in discourse on restarting a business venture after bankruptcy?
- 2) When and how does entrepreneurial antifragility lead to the identification of opportunities for new business start-up post-bankruptcy?
- 3) What are the organizing practices that enable (or impede) the entrepreneurial antifragility required to restart a business venture after bankruptcy)?

### **Proposed Methodology and Data Collection**

#### **Qualitative Design:**

The qualitative design has been chosen for this study, which follows the interpretivist paradigm that aims to broadly understand behaviour from an individual’s perspective and collect non-numerical data (Aliyu Bello, Kasim et al 2014; Sale, Lohfeld et al, 2002; Weber, 2004). The reasoning for this choice stems from the natural methodology used as part of a qualitative design, allowing the researcher to obtain detailed descriptive data to understand the complex topic through the phenomenological experiences of previously bankrupted entrepreneurs (Amaratunga, Baldry et al 2002; Corbin and Strauss, 1998).

#### **Sampling:**

Participants will be recruited through a non-probability manner (Small, 2009). A snowball sampling technique will be implemented where participants will be contacted via the researcher’s network and sequentially the participants’ networks (Noy, 2008). The researcher’s network will include entrepreneurs who have been declared as bankrupt and restarted a venture, accountants with contacts to these previously bankrupt business owners who will obtain their consent to take part and other individuals who are aware of suitable prospective participants. The researcher will also use online databases such as The Gazette (database of bankrupted individuals) and the UK Company House to reach out to prospective participants to recruit them for the study. Each participant must meet the below criteria:

- 1) Be a UK based entrepreneur who has been declared as bankrupt within the last 10-25 years
  - 1a) The bankruptcy should be accessible and verifiable via The Gazette
  - 1b) The entrepreneur has now re-started a business or businesses
- 2) The current business or businesses must be registered on the UK Company House
  - 2a) Their current re-established business or businesses are in working operation for a minimum of 6 months

A minimum of thirty participants (fifteen males and fifteen females) will be selected for the study. The clear split of genders ensures that the sample is as representative as possible.

#### **Data Collection – Research Method:**

Detailed case-study style semi-structured face-to-face interviews, lasting one to two hours in length will be conducted. The data collection process will begin with a creation of an Instruction Sheet and

the Interview Protocol Sheet that will act as a guide of topics, so all questions are covered, as suggested by Bryman (2011). There will be a set number questions, which will get gradually more intricate and they will be divided into sections as based on the applicable previous research and theoretical framework. The procedure will commence with emails being sent out to prospective participants with a Participant Information Sheet attached which will pertain the details of the study, participant requirements and next steps to take part; followed by the actual interviews. The researcher will then plan to conduct a theoretical thematic analysis at a semantic level (Braun and Clarke, 2006).

### **Potential contributions to theory and practice of entrepreneurship**

This research will endeavour to provide theoretical contributions, via producing an alternative theoretical stance to the current literature on how entrepreneurs bounce back from bankruptcy. It will also aim to generate in-depth data on the topic via qualitatively investigating the area which is important since there is not a single qualitative study on the exact research area that will be explored.

The study can yield the following practical implications, given that it endeavours to look at a range of factors that a bankrupt business owner has gone through on their quest to start again:

- 1) The study's findings of the key entrepreneurial mind-set required to relaunch ventures can be leveraged in the form of formal outreach programmes for both those who have gone through business failure (including but not limited to bankruptcy) and want to re-start their journey of entrepreneurship or novice entrepreneurs that want to avoid failure. These programmes can be used to support company founders psychologically with stress reducing tactics, ways to cope with the stigma of bankruptcy and strategies to help prevent business failure.
- 2) The research findings could help governmental departments to craft optimal bankruptcy laws that do not make it too easy to go bankrupt, but also tolerable enough to encourage entrepreneurship.

**Word Count (including in-text citations): 1977**

**Word Count (excluding in-text citations): 1737**

## References

1. Aliyu, A.A., Bello, M.U., Kasim, R. and Martin, D. (2014) 'Positivist and non-positivist paradigm in social science research: Conflicting paradigms or perfect partners?', *Journal of Management and Sustainability*, 4(3).
2. Amaratunga, D., Baldry, D., Sarshar, M. and Newton, R. (2002) 'Quantitative and qualitative research in the built environment: Application of "mixed" research approach', *Work Study*, 51(1), pp. 17-31.
3. Baron, R.A., 2004. The cognitive perspective: a valuable tool for answering entrepreneurship's basic "why" questions. *Journal of business venturing*, 19(2), pp.221-239.
4. BBC (2019) News. Available at: <https://www.bbc.co.uk/news/business-47041241> (Accessed: 30 January 2019).
5. Braun, V. and Clarke, V. (2006). 'Using thematic analysis in psychology', *Qualitative research in psychology*, 3(2), 77–101
6. Bridge, S., 2018. Facing uncertainty: An entrepreneurial view of the future?. *Journal of Management & Organization*, pp.1-12.
7. Bruno, A.V., McQuarrie, E.F. and Torgrimson, C.G., 1992. The evolution of new technology ventures over 20 years: Patterns of failure, merger, and survival. *Journal of business venturing*, 7(4), pp.291-302.
8. Bryman, A., 2011. *Business research methods*. 2nd ed. s.l.:Oxford University Press.
9. Byrne, O. and Shepherd, D.A., 2015. Different strokes for different folks: Entrepreneurial narratives of emotion, cognition, and making sense of business failure. *Entrepreneurship Theory and Practice*, 39(2), pp.375-405.
10. Cardon, M.S., Stevens, C.E. and Potter, D.R., 2011. Misfortunes or mistakes?: Cultural sensemaking of entrepreneurial failure. *Journal of Business Venturing*, 26(1), pp.79-92.
11. Cope, J., 2011. Entrepreneurial learning from failure: An interpretative phenomenological analysis. *Journal of business venturing*, 26(6), pp.604-623.
12. Dyer Jr, W.G. and Handler, W., 1994. Entrepreneurship and family business: Exploring the connections. *Entrepreneurship theory and practice*, 19(1), pp.71-83.
13. Eberhart, R.N., Eesley, C.E. and Eisenhardt, K.M., 2017. Failure is an option: Institutional change, entrepreneurial risk, and new firm growth. *Organization Science*, 28(1), pp.93-112.
14. Eggers, J.P. and Song, L., 2015. Dealing with failure: Serial entrepreneurs and the costs of changing industries between ventures. *Academy of Management Journal*, 58(6), pp.1785-1803.
15. Fang He, V., Sirén, C., Singh, S., Solomon, G. and von Krogh, G., 2018. Keep calm and carry on: Emotion regulation in entrepreneurs' learning from failure. *Entrepreneurship Theory and Practice*, 42(4), pp.605-630.
16. Hayward, M.L., Forster, W.R., Sarasvathy, S.D. and Fredrickson, B.L., 2010. Beyond hubris: How highly confident entrepreneurs rebound to venture again. *Journal of Business venturing*, 25(6), pp.569-578.
17. Headd, B. 2003. Redefining business success: Distinguishing between closure and failure. *Small Business Economics*, 21: 51-61.
18. Hyttinen, A. and Ilmakunnas, P., 2007. What distinguishes a serial entrepreneur?. *Industrial and corporate change*, 16(5), pp.793-821.
19. Jenkins, A.S., Wiklund, J. and Brundin, E., 2014. Individual responses to firm failure: Appraisals, grief, and the influence of prior failure experience. *Journal of Business Venturing*, 29(1), pp.17-33.

20. Juliet Corbin and Anselm Strauss (eds), Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory (SAGE, 1998).
21. Kirkwood, J., 2007. Tall poppy syndrome: Implications for entrepreneurship in New Zealand. *Journal of Management & Organization*, 13(4), pp.366-382.
22. Lee, S.H., Peng, M.W. and Barney, J.B., 2007. Bankruptcy law and entrepreneurship development: A real options perspective. *Academy of Management Review*, 32(1), pp.257-272.
23. Markey-Towler, B., 2018. Antifragility, the Black Swan and Psychology: A Psychological Theory of Adaptability in Evolutionary Socioeconomic Systems.
24. McGrath, R.G., 1999. Falling forward: Real options reasoning and entrepreneurial failure. *Academy of Management review*, 24(1), pp.13-30.
25. Metzger, G. 2007. Personal experience: A most vicious and limited circle!? on the role of entrepreneurial experience for firm survival. ZEW Discussion Papers
26. Metzger, G., 2006. Once bitten, twice shy? The performance of entrepreneurial restarts.
27. Metzger, G., 2008. Firm closure, financial losses and the consequences for an entrepreneurial restart.
28. Moulton, W. N., H. Thomas. 1993. Bankruptcy as a deliberate strategy: Theoretical consideration and empirical evidence. *Strategic Management J.* 14 125–135.
29. Nielsen, K. and Sarasvathy, S., 2011. Who re-enters entrepreneurship? And who ought to? An empirical study of success after failure. In *Dime-Druid Academy, Winter Conference in Aalborg, Denmark* (pp. 20-22).
30. Nielsen, K. and Sarasvathy, S.D., 2011. *Passive and active learning from entrepreneurship. An empirical study of re-entry and survival* (No. 11-12). DRUID, Copenhagen Business School, Department of Industrial Economics and Strategy/Aalborg University, Department of Business Studies.
31. Noy, C. (2008) 'Sampling knowledge: The hermeneutics of snowball sampling in qualitative research', *International Journal of social research methodology*,11(4), pp.327-344.
32. Numani, E., 2017. Internal Factors of Albanian Entities Bankruptcy. *Acta Universitatis Danubius. Œconomica*, 13(3).
33. Peng, M.W., Yamakawa, Y. and Lee, S.H., 2010. Bankruptcy Laws and Entrepreneur-Friendliness. *Entrepreneurship Theory and Practice*, 34(3), pp.517-530.
34. Sale, J.E.M., Lohfeld, L.H. and Brazil, K. 2002. 'Revisiting the QuantitativeQualitative Debate: Implications for Mixed-Methods Research', *Quality and Quantity*, 36(1), pp. 43-53
35. Schumpeter, J.A., 1942. *Capitalism, socialism, and democracy*. Harper and Brothers, New York.
36. Shepherd, D.A. and Haynie, J.M., 2011. Venture failure, stigma, and impression management: A self-verification, self-determination view. *Strategic Entrepreneurship Journal*, 5(2), pp.178-197.
37. Shepherd, D.A. and Patzelt, H., 2015. The "heart" of entrepreneurship: The impact of entrepreneurial action on health and health on entrepreneurial action. *Journal of Business Venturing Insights*, 4, pp.22-29.
38. Shepherd, D.A., 2003. Learning from business failure: Propositions of grief recovery for the self-employed. *Academy of management Review*, 28(2), pp.318-328.
39. Shepherd, D.A., Covin, J.G. and Kuratko, D.F., 2009. Project failure from corporate entrepreneurship: Managing the grief process. *Journal of business venturing*, 24(6), pp.588-600.
40. Singh, S., Corner, P. and Pavlovich, K., 2007. Coping with entrepreneurial failure. *Journal of Management & Organization*, 13(4), pp.331-344.

41. Small, M.L. (2009) "'How many cases do I need?': On science and the logic of case selection in field-based research', *Ethnography*, 10(1), pp. 5–38.
42. Taleb, N.N., 2012. *Antifragile: how to live in a world we don't understand* (Vol. 3). London: Allen Lane.
43. Ucbasaran, D., Alsos, G.A., Westhead, P. and Wright, M., 2008. Habitual entrepreneurs. *Foundations and Trends® in Entrepreneurship*, 4(4), pp.309-450.
44. Ucbasaran, D., Westhead, P. and Wright, M., 2009. The extent and nature of opportunity identification by experienced entrepreneurs. *Journal of business venturing*, 24(2), pp.99-115.
45. Van Auken, H., Kaufmann, J. and Herrmann, P., 2009. An empirical analysis of the relationship between capital acquisition and bankruptcy laws. *Journal of Small Business Management*, 47(1), pp.23-37.
46. Van Kesteren, J., Adriaanse, J. and Van der Rest, J.P., 2017. The Story behind Bankruptcy: When Business Gets Personal. *QUT L. Rev.*, 17, p.57.
47. Walsh, G.S. and Cunningham, J.A., 2016. Business failure and entrepreneurship: Emergence, evolution and future research. *Foundations and Trends® in Entrepreneurship*, 12(3), pp.163-285.
48. Walsh, G.S., 2017. Re-entry Following Firm Failure: Nascent Technology Entrepreneurs' Tactics for Avoiding and Overcoming Stigma. In *Technology-Based Nascent Entrepreneurship* (pp. 95-117). Palgrave Macmillan, New York.
49. Weber, R. (2004) Editor's comments: the rhetoric of positivism versus interpretivism: a personal view. *MIS quarterly*, pp.iii-xii.
50. Westhead, P., Ucbasaran, D. and Wright, M., 2005. Decisions, actions, and performance: do novice, serial, and portfolio entrepreneurs differ?. *Journal of small business management*, 43(4), pp.393-417.
51. Wiklund, J., Baker, T., & Shepherd, D. 2010. The age effect of financial indicators as buffers against the liabilities of new ness. *Journal of Business Venturing*, 25: 423-437.
52. Wolfe, M.T. and Shepherd, D.A., 2015. "Bouncing Back" from a loss: Entrepreneurial orientation, emotions, and failure narratives. *Entrepreneurship Theory and Practice*, 39(3), pp.675-700.
53. Wolfe, M.T. and Shepherd, D.A., 2015. What do you have to say about that? Performance events and narratives' positive and negative emotional content. *Entrepreneurship Theory and Practice*, 39(4), pp.895-925.
54. Wyrwich, M., Stuetzer, M. and Sternberg, R., 2016. Entrepreneurial role models, fear of failure, and institutional approval of entrepreneurship: A tale of two regions. *Small Business Economics*, 46(3), pp.467-492.
55. Yamakawa, Y., Peng, M.W. and Deeds, D.L., 2015. Rising from the ashes: Cognitive determinants of venture growth after entrepreneurial failure. *Entrepreneurship Theory and Practice*, 39(2), pp.209-236.