ENTREPRENEURIAL FAILURE AND RESILIENCE: A CONTINUOUS INTERPLAY BETWEEN RIGIDITY AND FLEXIBILITY

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Abstract

Resilience studies are increasingly relevant to understand business processes. This study aimed to explore how entrepreneurs in Mexico recovered from situations of business failure. Which key factors did move entrepreneurs to move forward with their ventures rather than desisting after a failure event? Through a qualitative study that utilized focus groups with entrepreneurs that had faced entrepreneurial failure, discourses, and representations around the failure experience were analyzed. Findings suggested that entrepreneurs lied in a continuum between resilience and resistance, depending on their access assets such as entrepreneurial networks, ecosystems, and pool of knowledge as antecedents of resistance and resilience. The study shed light in the understanding of the role communities surrounding entrepreneurs played in their trajectory, failure, and eventual recovery.

Keywords: Social capital, social networks, entrepreneurship, resilience.

Introduction

The entrepreneurial world is changing at increasingly faster speed and is thus faced with a need for adaptation to new contexts and meanings. In highly complex and fragmented markets the inherent risks of entrepreneurship become even more evident and vivid (Virkkala & Mariussen, 2018). In this context, the successful entrepreneur requires a specific set of skills, routines and behaviors that will allow them to overcome the challenges posed by dynamic markets. This ability to face adversity in highly complex markets requires, amongst other skills, a high level of resilience. Resilience involves cognitive behaviors that help entrepreneurs overcome their vulnerability in changing environments (Chadwick & Raver, 2020).

Entrepreneurial discourses around uncertainty are constantly being re-signified. Entrepreneurs are no strangers to uncertainty, as it has traditionally been a main characteristic of entrepreneurship (Kuckertz, 1921). Failure is also an expected aspect of the entrepreneurial process, as it frequently involves criticism around new products being launched in a market (Schumpeter & Nichol, 1934). However, not all entrepreneurs respond equally to failure, since each one has a representation of what it means both in general terms and in a particular entrepreneurship effort. Recent research has focused on business failure and its causes (Van Breda, 2018), and the impact on entrepreneurs. Such line of research is limited to examining the causes of failure and lacks to address the social factors that aid in recovery from failure in entrepreneurs.

Entrepreneurship research has examined the concept of resilience from various perspectives. For instance, it has been understood as a response to complex and highly dynamic contexts (Danès et al., 2009; Bernard & Barbosa, 2016) or as an inherent quality of the entrepreneur in the form of attitudes or capacities (Hayward, Forster, Sarasvathy & Fredrickson, 2010; Bernard & Barbosa 2016). A research stream of entrepreneurship has studied resilience as a cognitive trait of the entrepreneur, expressed in their emotional response capacity. This psychological approach to resilience has neglected social factors and their implications for the resilient action of the entrepreneur.

Bernard and Dubard (2016) point out that, resilience has been discussed in the literature on entrepreneurship. On the one hand, as a response to an irruption that destabilizes the social context. Relevant discussions within this research stream consider resilience as the clash between an event that disrupts social order and the community’s ability to restore its organization. (Linnelecke & McKnight, 2017). On the other hand, there is a debate on the psychological aspects of individuals and how resilience is a determining trait in the personality of the person to deal with complicated social contexts. This psychological approach focuses on the relationship between the entrepreneur’s cognitive and behavioral forms and their resilience in stressful situations (Chadwick & Raver, 2020). Resilience...
has been considered as an internal aspect of the entrepreneur and the procedural dimensions and its implications in the trajectory of entrepreneurial outcomes have been disregarded (Bernard & Dubard, 2016). Currently, debate focuses on studying the relationship between cognitive and emotional aspects and their implications for resilience. A third research stream that has begun to gain relevance in the entrepreneurship field argues that entrepreneurial embeddedness enables using cognitive and social resources and their local networks as resources (Vlasov, Bonnedahl, & Vincze, 2018). This study suggests that the ability of the entrepreneur to restore their entrepreneurial intention after a failed event depends on their level of integration in the social ecosystem in which they are embedded. Comer, Singh, and Pavlovich (2017) argue that theoretical discussions about the relationship between resilience and failure of companies have not been sufficiently investigated despite some entrepreneurs, after failure, continuing entrepreneurial activities while others give up. The purpose of this article is to explore the factors that determine the resilience of entrepreneurs in failure situations. The entrepreneurial intention of the entrepreneurs depends on the type of involvement that the entrepreneur presents in the formal and tacit knowledge pools of the entrepreneurship ecosystem.

The study focuses on the following research question: Why do some entrepreneurs exhibit a resilient attitude to failed events in their companies, while other entrepreneurs give up continuing with their entrepreneurial intentions? Studying the issue of restitution of failure in entrepreneurs is relevant in a social context in which, according to data from the Bureau of Labor Statistics (BLS) 20 percent of businesses fail within two years of being open, 45 percent it fails during the first five years and only 25 percent of businesses last more than 15 years.

This paper aims to fill that gap by analyzing resilience in entrepreneurship from a social perspective. The entrepreneur interacts within a scenario that implies social rules and practices and is supported by institutions framing entrepreneurial action (Turker & Vural, 2017). In this line, it aims to analyze resilience from a perspective of institutional resources, especially those that correspond to both, the formal and tacit knowledge, that is present in all entrepreneurial ecosystems. Institutional resources are the typification and habituations that generate comprehensive schemes, allowing the construction of a social reality (Berger & Luckmann, 2011). That is, the social schemes necessary to understand the behavior of others and capture the meanings behind their actions (Giddens, 2007). Such typification and habituations appear in the day-to-day action of the subjects as social practices and daily routines and create collective knowledge.

![Figure 1. Typology of institutional resource](image)

**Figure 1. Typology of institutional resource**

The analysis focuses on how the unequal access of entrepreneurs to institutional resources may produce different trajectories around entrepreneurial failure, and on understanding why some of them keep the intention to continue entrepreneurship despite having failed while others give up. Deepening the understanding of institutional resources as drivers of either continuation or termination of the entrepreneurial effort allow us to highlight the relevance that access to knowledge networks and people who are part of their entrepreneurship ecosystem have for the entrepreneur. Therefore, it aims to answer following question: What role does access to institutional resources play in the maintenance or withdrawal of entrepreneurial intention after failure?

Resilience is a process that goes from an initial "shock" to the gaining of experience and ends in a decision (Cyrulnik & Duval, 2006; Bernard & Barbosa, 2016). This study focuses on the phase of the final decision in terms of knowing which factors trigger the action of resisting or desisting in the face of failure. Our contribution to business literature consists of the identification of how socialization factors influence the development of the entrepreneur’s capacity of resiliency.

**Resilience: Theoretical Perspectives and Literature Review**

The concept of resilience is presented in a wide scope of perspectives and theoretical approaches, from ecology and disaster management to psychology, sociology, and administration (Korber & McNaughton, 2017). Most of these approaches are related to the issues of vulnerability, adaptability and transformation (Kumpfer, 2002; Korber & McNaughton, 2017).

Literature often refers to resilience as a quality present in a once-in-a-time setback that influences individual outcomes in the workplace (Guo & Anderson,
This concept is apparent in topics such as health (Foster, Cuzzillo, & Furness, 2018), mindfulness (Joyce, Shand, Bryant, & Harvey, 2018) and issues about work teams (Bennett, Neeper, Linde, Lucas, & Simone, 2018). In contrast, a process view of resilience in entrepreneurship acknowledges that resilience is both an influence and an outcome. An entrepreneur moves across stages starting from entrepreneurial intent to venture building and to launching a product on the market. Each stage conveys different events that may become setbacks for the entrepreneurs and team members, i.e., challenges during entrepreneurial intent may take the shape of how to hire complementary skills, whereas shaping the firm entails organizational aspects such as deciding on marketing or financial strategies.

Another perspective about resilience states that it is an outcome of recovery attempts and learning as evidenced by the restoration of organizational functions (Linnenluecke, 2017). According to Linnenluecke (2017), one prominent approach for assessing resilience has been case-based research on organizational responses within the context of accidents and disasters. These studies tend to diagnose what happened (or 'how resilient' the organization was) in a certain situation and seek to derive insights on how future resilience may be improved, based on a generalization from these insights. Vogus and Sutcliffe (2007) define resilience as the maintenance of positive adjustment under challenging conditions, so that the organization emerges from those conditions strengthened and more resourceful. For these authors, challenging conditions may include discrete errors, scandals, crises, shocks and disruptions of routines, as well as ongoing risks (e.g., competition), stresses, and strain.

Resilience is one of the great puzzles of human nature, like creativity or the religious instinct (Coutu, 2002). Resilience implies the ability to see reality, the propensity to make meaning of terrible times. Also, resilience requires the ability to go ahead with whatever resource is at hand (Coutu, 2002). De Vries and Shields (2006) argue that resilience can be thought of as an 'emerging' set of qualities that develop over time and through experience.

**Resilience and Entrepreneurial Failure**

A systematic review of the literature on resilience (Korber & McNaughton, 2017), it shows that this concept is predominantly found in two ways: individual/organization and environment/social effects. It is important to note that the second path is presently in an incipient and primary phase. In any case, resilience is perceived as an “adjustment” in terms of awareness, reflexivity and continuous learning in the face of a distorting event of the social order. In this case, five predominant lines of research are identified in theoretical discussions. The first one has to do with a manager’s ability to cope with and control possible crises, promoting practices that contribute to specific improvements in the company. A second line of research relates to the intention of the entrepreneur, which implies the question of the will -or lack of it- to start a project. Another relevant approach centers on the relationship between the individual and the organization and its implications in the ability to adapt after a disruptive event. A fourth line of conversation is related to entrepreneurial intentions and their effects on the resilience capacity of cities in the face of transformative events. The final line of discussion, and one that is increasingly relevant, involves the relationship between business failure and resilience. This last approach fits the concept of engineering resilience which is generally presented in a deterministic way in terms of stability or imbalance and seeks to implement metrics on resilience to change.

Entrepreneurs who are capable of finding business opportunities operate in a highly competitive and rapidly changing global environment and are in many ways setting a new pace and new standards in the creation of value (Bullough & Renko, 2013). Fisher, Marić, and Lobo (2016), find that resilience in entrepreneurs comprises hardiness and persistence; that entrepreneurs are more resilient than other populations, and that resilience does predict entrepreneurial success. Hayward (2013) suggests that the prosperity of some societies partially reflects an evolutionary process in which more confident entrepreneurs undertake more challenging and risky tasks with greater conviction. Survivors tend to set up new businesses, achieve technology breakthroughs, develop new drugs, and initiate and articulate novel ideas. The willingness and ability to take risks is a key factor in entrepreneurship. Risk-taking is related with self-confidence. The greater a person’s belief in their own ability, the greater their belief in their capabilities, and the greater their readiness to try paths or ventures that others perceive as risky (Herdjiono, Puspa, & Maulany, 2017).

People who start businesses under dire circumstances are often required to alter the status quo and forge new paths to succeed. Lack of resilience decreases the individual’s capabilities to engage in such necessary entrepreneurial behaviors to start businesses or pursue new ventures. Entrepreneurs who believe in their own ability to cope with stressful environments
and engage in entrepreneurial activity are better able to build their resilience and, therefore, be more inclined to bounce back from hardship and become stronger as a result (Bullough & Renko 2013).

Under more severe living and working conditions, the combination of entrepreneurial self-efficacy and resilience provides an individual with even greater entrepreneurial power than either one of the two factors alone. Self-efficacy and resilience operate more at the surface level and can be influenced by exogenous factors from the external environment, negatively from adversity, or positively by encouragement from mentors (Bullough & Renko, 2013). Bernard and Barbosa (2016) reveal that in the resilience process, positive emotions do not immediately comprise a given, but emerge over the course of a process of post-traumatic disengagement. Positive emotions, such as self-confidence, appear to emerge over the course of a journey that mixes reactivations of the trauma and interim victories, commitment to action, and the quest for coherence (Bernard & Barbosa, 2016). Bernard and Barbosa (2016) clarify that not all entrepreneurs are resilient and that it is not necessary to undergo a process of resilience (or to have experienced a traumatic event) to become an entrepreneur.

The belief of entrepreneurs in their skills makes it possible for entrepreneurial individuals to have the confidence to overcome the adversities resulting from debilitating economic crises and business stagnation and to seek new business opportunities (Bullough & Renko, 2013). Failure can occur when the entrepreneur has a lower performance in terms of critical processes or when the desired objectives are not achieved. Entrepreneurs benefit from their previous failures (Atsan, 2016), to the extent that the entrepreneur has the capacity for individual and collective learning, the individual will have better opportunities for returning to entrepreneurship.

Yamakawa, Peng, and Deeds (2010) found that a greater number of failures may not necessarily entail a positive influence on subsequent venture performance. Contrariwise, an increasing number of failures can be especially harmful for those who internalize the blame for the failure, since the greater number of failures will eventually become a burden, reducing one’s self-efficacy. Regardless of how entrepreneurs intrinsically motivate themselves to embark upon an entrepreneurial career after multiple failures does not ensure greater success in the future. Entrepreneurs require being flexible and their role evolves with the business development. The characteristic of being flexible and highly adaptable is frequently linked with a risk-taking approach (Steiner & Cleary, 2014). Steiner and Cleary (2014), in their study on rural entrepreneurs, found that collaboration and networking could help to absorb changes, learn and develop, and respond to changes in the business environment. They propose three elements of resilient business: context; business-owner characteristics, and business characteristics. These elements can aid in (or alternatively hinder) the development of businesses.

According to Boso, Adeleye, Donbesi, and Gyensare (2019), the effect of the business failure experience on new venture performance is channelled through the entrepreneurs’ ability to learn from experiencing failure. The mechanism through which the business failure experience drives new venture performance is the entrepreneurs’ ability to learn from their business failures. Boso et al. (2019) propose that the degree of alertness to entrepreneurial may facilitate the extent to which a failure experience influences new venture performance through learning. They show that the effect of learning from failure experience on new venture performance is strengthened when learning increases above its average level and when alertness to new opportunities possesses higher values. Business failure experience enables entrepreneurs to develop learning capabilities that subsequently drive the success of the new ventures that are subsequently created. Continuous learning and a greater proclivity to search for novel information for renewal and the growth of new ventures is a critical antecedent (Boso et al., 2019).

In view of the previous discussion, it is important to highlight the relevance of the speeches of entrepreneurs in which they configure their actions within a certain environment. On the one hand, a discourse works to generate a figurative sense for the subject that undertakes a project by “exalting his or her individualism, improving his or her entrepreneurial capacity in the form of initiative and leadership that are innate, but that he or she has not dared to explore” (Ibarra, 1997) while, on the other hand, it is seen as a differentiating mechanism that works to divide entrepreneurs who are able to recover from failure from those who are not. In the case of resilience and failure, resilience is frequently regarded as an individual psychological trait, present in some but not in others, that aids recovery after a disturbance. Entrepreneurs are said to bounce back from a failed event because they are resilient due to their inner psychological conditions (Korber & McNaughton, 2017). However, existing literature lacks an exploration on the extent in which the resilience of a failed entrepreneur is related to social factors that can explain a flexible and adequate recovery.
Research Methods

To examine how social factors are related to entrepreneurial resilience, it conducted a qualitative study in order to examine and deeply understand the different narratives and discourses of entrepreneurs. This qualitative approach starts from the idea of determining the relevant relationships between informants and their social construction of reality (Berger & Luckmann, 1996), as well as their symbolic world, in a way that allows the researcher to understand the production and reproduction of their discourses. Through the application of two focus group sessions with a semi structured discussion guide that enabled open conversations, it explored three main topics: failure; recovery, and resilience.

The research design had two methodological moments; first our research instrument was tuned and later it was applied. For the first moment, it conducted two semi-structured interviews with two key entrepreneurs that allowed us to calibrate our topic guide and have a wider scope for the conducting of the focus group sessions. Having fine-tuned our discussion guide, it proceeded to the second moment in which two exploratory focus group sessions were held, each one with seven entrepreneurs who had failed in their past ventures. During these groups a semi-structured moderation was chosen, promoting free speeches and interaction between entrepreneurs, so that new discursive paths could emerge and be included in our analysis.

It liaised with a Mexican franchise which focuses on entrepreneurial failure by handling weekly sessions in many cities around the world. It recruited 12 entrepreneurs to integrate the two group sessions that were conducted. To form the groups, it wanted the participants to comply with the following profile: entrepreneurs who during the last two years had at least one unsuccessful venture and had maintained their desire to continue their undertaking. This exploration allowed us to delimit the discourse that entrepreneurs record in the face of failure and how they perceive resilience in their decision-making. Each session lasted, on average, 120 minutes.

The psychographic nature of our recruitment allowed us to dive deeper into the preferences, habits and tastes of entrepreneurs (Bruni, Gherardi, & Poggio, 2014), considering aspects that would allow us to be able to trace certain trajectories around their resilience capacities (Renko, Bullough, & Saeed, 2016) before the emergence of certain disturbances in their ventures.

Two group sessions were held to explore the relationship between failure and resilience (See Table 1). A semi-structured topic guide was built based on the following topics to explore: the imaginary of the entrepreneur and their meanings on entrepreneurship, the meaning they have on the success and failure of his endeavors, the way in which failures are resolved and the factors that impact on the continuity or resignation of the entrepreneurial intention. The moderator served as a facilitator and trigger of the conversation between the participants. Recorded information and transcripts of each of the group sessions were kept for traceability purposes.

<table>
<thead>
<tr>
<th>Participant</th>
<th>Age (y)</th>
<th>Gender</th>
<th>Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>35-42</td>
<td>Male</td>
<td>Entrepreneur in technology and 3D photocopiers</td>
</tr>
<tr>
<td>2</td>
<td>35-42</td>
<td>Female</td>
<td>Entrepreneur in technology and interfaces for applications</td>
</tr>
<tr>
<td>3</td>
<td>35-42</td>
<td>Male</td>
<td>Entrepreneur in real estate</td>
</tr>
<tr>
<td>4</td>
<td>35-42</td>
<td>Female</td>
<td>Entrepreneur in search of investments</td>
</tr>
<tr>
<td>5</td>
<td>35-42</td>
<td>Male</td>
<td>Entrepreneur in fitness</td>
</tr>
<tr>
<td>6</td>
<td>35-42</td>
<td>Female</td>
<td>Entrepreneur in restaurants and vegan foods</td>
</tr>
<tr>
<td>7</td>
<td>35-42</td>
<td>Male</td>
<td>Entrepreneur in graphic design</td>
</tr>
<tr>
<td>8</td>
<td>35-42</td>
<td>Female</td>
<td>Entrepreneur in advertising</td>
</tr>
<tr>
<td>9</td>
<td>35-42</td>
<td>Male</td>
<td>Entrepreneur at sporting events</td>
</tr>
<tr>
<td>10</td>
<td>35-42</td>
<td>Female</td>
<td>Entrepreneur in technology and interfaces for applications</td>
</tr>
<tr>
<td>11</td>
<td>35-42</td>
<td>Male</td>
<td>Entrepreneur in retail technology</td>
</tr>
<tr>
<td>12</td>
<td>35-42</td>
<td>Female</td>
<td>Entrepreneur at social events</td>
</tr>
</tbody>
</table>

The next stage had to do with the analysis of the data. To analyze the information, the amplitude and repetition of speeches were considered, as well as their persistence in certain topics. The interpretation of the data requires identifying the symbolic and contextual world of the informants. Specifically, data was analyzed using open coding to identify segments of meanings, analyze and compare them (Hernández & Torres, 2018). It carried out a careful review of the information starting from coding the data until it achieved different units of meanings. These units of meaning were analyzed, keeping the language of the participants to build categories that helped to organize the findings and consolidate the codes of the units of analysis. The open coding was useful since it considered that codes arose from the data or from its consolidated segments and in this way, it constructed categories (Hernández-Sampieri & Torres,
It sought to build segments of meanings by similarity of information (rejecting the different ones) and characteristics. By grouping them, it derived codes and categories. Open coding allowed to sort unstructured data and helped in identifying new potential meanings in data. These derived categories served, in turn, to generate relevant interpretations of the data.

Qualitative rigor seeks the reliability and validity of the research and its results. A relevant aspect to achieve this has to do with the process of reflexivity carried out by the researcher during their study. Darawsheh (2014) relates reflexivity to the role played by the researcher’s subjectivity during their research process. Knowing the place from where the researcher “speaks” allows to be clear the subjective role as an interpreter of the information and generator of results. Two researchers developed a research log in which they wrote their perceptions and thoughts about what happened during the groups. Then, it meets to discuss the particular findings of each researcher and thus seek the equivalence of results. To strengthen the trustworthiness of the research, it carried out a triangulation between theory and data collected. It carried out this process by discussing our findings with other researchers with the aim of acquiring interpretative improvements and having validity through external audits (Hernández-Sampieri & Torres, 2018).

Results and Discussion

The goal of the study was to discover the factors that determined the trajectories of the failed entrepreneurs. It discovered that the discourse of failed entrepreneurs unequally assumes the images, symbols, values, and meanings that guide the collective imagination of the world of entrepreneurship. It found that the unsuccessful entrepreneurs who were “comfortable” with their failure are those who know, in a profound manner, the images, symbols, and values of the entrepreneurship discourse. In contrast, failed entrepreneurs who are “uncomfortable” with their failures are those who do not know the discourse in depth.

The entrepreneurial discourse has as a condition the resilience in the subjects who are “truly” entrepreneurs because it is a strategy that serves to prolong the process of performance and learning necessary for the identity of the entrepreneur to the extent that the entrepreneurial subject is more seriously involved in the discourse of their community, the greater their capacity for resilience. On the other hand, the lower the discursive formalization, the further the individual is to resilience and the nearer to resistance. Resilience – and, of course, its conditioning factors, including error, failure, purpose, etc. – can be considered as a fundamental component of the identity of the entrepreneur instead of an accidental factor.

In fact, the resilient structure of entrepreneurs increases in relationship with exposure to risks, and therefore to the possibilities of errors and successes. Contrariwise, resilience does not occur with resistant subjects, because they seek for their processes to be repeatable and for the conditions not to change. It is worth noting the relevance that the discourse of undertaking has for the locus of internal-control grants, which assumes that the actions of the subjects are responsible for the events that happen to them. Therefore, being a resilient individual comprises a trajectory recognized by the members of a community with a high degree of formalization and institutionalization.

The entrepreneurship discourse is a differentiating measure for entrepreneurs, in that it is often employed to distinguish true from false entrepreneurs. Those who stop doing or trying are not true entrepreneurs. “The appropriation that entrepreneurs make of images and symbols creates an action guide for entrepreneurs who want to achieve success” (Ibarra, 1997). The introjection of this image and its symbols will depend on the familiarity entrepreneurs have with said image, as well as on the access they have with the discourses and knowledge present in their contexts. This discourse defines the entrepreneur as a creative, persistent, innovative, flexible, dynamic person, capable of taking risks, transforming resources, and being responsible for their environment (Ararat, 2010).

The results obtained from the group sessions clarified the reasons for which resilience appeared in a certain community of entrepreneurs, but not in others. From there, it builds two types of trajectories that entrepreneurs follow prior to their failed ventures. These differentiated trajectories allow us to understand the way that socialization factors are key to understanding which trajectory entrepreneurs register after their failure. The more socialized entrepreneurs are, the more resilient they appear, while the less socially oriented entrepreneurs are less resilient and more resistant to adaptation. Based on the information collected during the group sessions, it created the following analytical categories (See Appendix 1). Emergent themes in the focus groups.

Learning Process

It found that the learning process inherent in any failure produce not only individual insight in the entrepreneur that underwent the experience, but social knowledge in the ecosystem of entrepreneurship. In other words, the failure of entrepreneurs generates
social knowledge that is composed of two basic elements for resilience: learning, and emotional support from business communities. Having previous access to this knowledge (or not) exerts a direct influence on the type of disposition that the entrepreneur present towards failure. Resilience in entrepreneurs is then influenced by the level of access they have to repositories of the social knowledge in their environments. The informants pointed out that, as they have greater involvement in the entrepreneurship ecosystem, it is increasingly easier for them to be resilient, especially when the capacity to appropriate its discourses is present. Therefore, the recovery from failure of certain entrepreneurs, feeds from the access and appropriation of the accumulated knowledge in the ecosystem.

Furthermore, inequality in the distribution of knowledge generates inequality in developing the necessary skills to cope with failure in their ventures. Varying levels of access to collective learning produce different stances regarding failure. Such repositories of knowledge in formal support systems are speeches, joint workplaces, universities, and business incubators. This suggests that resilience is more likely to appear in the groups of entrepreneurs that belong to formalized support systems rather than in the ones that lack support of such systems. Thus, the systematization of failure nourishes the legitimacy of repositories of social knowledge. Therefore, it found two types of business trajectories: resistant, and flexible. The former is related to informal support systems, and the latter, to highly formal ecosystems. Each business trajectory has its own discourse regarding failure and the appropriate response to it.

**Resistant Model Discourses**

On one hand, the resistant discourse arises from highly structured and formal ecosystems that tend to resist any disturbance until the conditions that determine its existence are completely transformed. In this case, there is a natural resistance towards failure because the entrepreneur discards the learning that results from the experience and insists on replicating the business models with which he feels “comfortable”. It identified that entrepreneurs are resistant (Bureau & Zander, 2014) in their companies until they leave their comfort zone due to certain external factors, i.e., disturbances that present in the form of threats and that affect the dynamic of their communities or their individual achievements and lead to the failure of their companies. As it pointed out earlier, the discourse of these entrepreneurs is inclined to resist modification of the conditions they had when they began their entrepreneurial projects, and they try to replicate their original intentions. As one participant expressed: “I do not accept failure; all I do is change the model” (female entrepreneur).

This model of resistant discourse regarding failure assumes a passive elastic attitude, which involves the social and individual capacity of the subject to continue with the normal dynamics after the disturbance without modifying the underlying causes that originally originated failure, or as a female entrepreneur put it, “We do not accept failure; that is why we are still here.” That is, there is no learning.

**Flexible Model Discourses**

On the other hand, resilience admits failure and learns from it, as there is openness to implementing new intentions under conditions different from the original ones. The resilient discourse regarding failure suggests an active flexibility that operates through the ability to recover and improve after a disturbance and seeks to modify the underlying conditions that caused it through learning, prevention mechanisms, and creativity.

The resistant model seeks to replace its comfort zone through primary support systems that allow it to withstand the disturbance and then return to the same logic of action. “Before failing, I learned not to listen to anyone” (male entrepreneur). In contrast, entrepreneurs with a flexible model aims to build secondary support systems that help restore social ability through learning and the prevention of similar eventualities. […] “People fail because they do not have the right people to always guide them” (male entrepreneur). This means that entrepreneurs make use of the social knowledge accumulated in their support systems. Both models suppose calculated risk; nevertheless, the difference lies in the cognitive processes observed in each of them. While the resistant model’s cognition is directed towards maintaining its integrity with a minimum amount of change including, although not in a conscious manner, its limitations and access to external information; the flexible model’s cognition develops through limitations since its secondary support systems provide strategic learning that adds to their expansion, but also to their plasticity. In other words, the resistant model expects the expected to repeat its social structure, while the flexible model tries to expect the unexpected to prevent and create.

Entrepreneurs tend to consider themselves resilient, “Failure is to stop trying” (entrepreneur). But they may take resistance for resilience when they do not show an intention to modify the underlying causes that led to failure, accept change, and learn. […] “There will always be external factors, all we can do is accept them
and prevent them." (executive). An important aspect in the resistant model is the idea of a comfort zone, since maintaining it is the main reason that entrepreneurs exhibit resistance until it gives way to fracture, in turn giving way to the failure of their venture. When entrepreneurs leave their comfort zone, they feel vulnerable to the threats of their ecosystem, which can motivate them if they possess the necessary resources to seek support systems to replace the loss of comfort zones. “This is linked to the emotional capacity and the understanding that nothing can be controlled” (entrepreneur).

Due to their incorporation into such safety nets, executives manage to withstand the disruption that the failure of a company entails, and they present a more resilient disposition. “[...] he can only deal with external factors if he is emotionally healthy, but they do not have the resources that permit them to continue or even recover.” (executive). In other words, they lack formal and informal support systems that aid them in their restoration, either actively or passively. “[... I have good ideas, but I have never had anyone to guide me.” (executive). External factors, represented by threats in ecosystems with the ability to generate feelings of community or individual vulnerability, depend directly on the attitude, either passive or active, with which the members of their ecosystem meet them.

It can conclude then that flexible models readily admit failure and look for ways to learn from it, in order to strengthen their structure-of-action while maintaining significant openness to external and heterogeneous information. This is the way in which repositories of knowledge are formed. In this way, the flexible model avoids repeating original intentions or plans in the face of failure but seeks to assimilate and integrate into the new conditions that will allow the development of its intentions with greater certainty. Repeating the same business process is an obstacle that slows the mobility of information and, as a result, the cognitive expansion of the entrepreneur. When conditions change, resilient entrepreneurs adapt to the new situation with the lessons learned from failure, adding knowledge to their ecosystems. While resilient entrepreneurs view failure as a process that must “endure” (which is a denial in the face of new circumstances), resilient entrepreneurs perceive it as an opportunity to “let go” (which means adapting to other eventualities) of what has been done previously, and only what has been experienced in the form of learning is maintained.

Three Trajectories of Entrepreneurs in The Face of Failure

According to the information gathered in this study, it found three distinct types of trajectories that appear in entrepreneurs facing failure; two trajectories start from the resistant model, and one from the flexible model. It has been discussed how a path of resistance towards failure that comes from a highly structured business model consists of a movement from one point to another, without modifying the business intention, repeating the same business processes until the entrepreneur has the opportunity to either continue with the project or abandon it entirely. The learning produced by these trajectories, namely replication or abandonment, is reduced to tacit information that rarely, if ever, manages to become social knowledge, and is thus limited to certain inner and personal intuitions. On the other hand, a path of resilience towards failure involves the ability to move through different points, generating social knowledge as it progresses, which is a basic element for the formation of knowledge repositories to which the ecosystem has access, and which are, in turn, employed to maintain the process of flexibility and learning going. This type of trajectory ends up with a very different concept of failure, seeing it as an opportunity to improve cognitive performance in new business scenarios. Figure 2 presents a scheme that indicates the process of resilience or resistance according to the degree of socialization of the entrepreneurial ecosystem recorded by the entrepreneurs.

Figure 2. An interplay between rigidity and flexibility

Entrepreneurs usually depend on a certain degree of resilience in their companies until they find themselves outside of their comfort zone due to unexpected external factors that threaten the dynamics of their community or their individual achievements. The attitude that comes out of a resistant model can hinder the ability of the individual to adapt after failure due to restricted access to the knowledge repositories of the entrepreneurship ecosystem. Two types of attitudes then emerge: they either abandon the intention to undertake, or they resist disturbances and engage in a replication technique that allows no new information to be integrated. On the other hand, the attitude that springs from a flexible model is deeply rooted in the social capacity for recovery and improvement after the presence of a threat. Access to knowledge repositories allows entrepreneurs to modify the underlying causes that led to
original failure, adapting to new needs and adopting new behaviors while modifying expectations about its environment.

While the former seeks the reconstruction of a comfort zone that will allow them to withstand disturbances and finally replicate their original model, “vision” or ideal; the latter aims for the building informal support systems that will allow them to expand their social capacity for learning and adapting successfully to possible future changes in their environment. Both models assume a calculated risk; however, the difference between the two lies in the extent to which the resistant model expects the expected, whilst the flexible model seeks to expect the unexpected and the uncertain.

In discourse, most entrepreneurs consider themselves resilient, however, according to their verbalizations, some of them may be closer to a resistance model that they would think, partly because they lack proper access to social knowledge repositories from their ecosystems; making them in turn partly blind to such knowledge. As a consequence, they entertain no intention of modifying the underlying causes that led to their failure. A tendency was noted amongst entrepreneurs to declare their intentions to continue with their ventures after failure, either when they may not have access to the necessary resources that would allow them endurance or even recovery, even if they lack formal or informal support systems to aid them in their restoration. External factors represented by threats in the ecosystems may kindle feelings of vulnerability both for the community and the individual. The decoding of such factors however can be deeply different for entrepreneurs coming from resistant or flexible models; for the former, failure lies in outer circumstances, for the latter, failure lies in the inability to modify the root causes of their business’ defeats.

**Resilience and Access to Knowledge**

An aspect in the entrepreneur’s discourse concerns the idea that imperfect knowledge is the starting point for resilience strategies to overcome environments plagued with complexities and multiple ambiguities. Entrepreneurs understand that the only way to address their incomplete knowledge about their environments is often to move away from “compliance” with security and constantly search for its fracture, all with the purpose of opening to new learning possibilities. In other words, the main condition in the entrepreneur’s discourse is the recovery capacity of subjects who are “true” entrepreneurs, in that this represents a strategy to extend the performance process (Bouchikhi, 1993) and the necessary learning to build the identity of the employer. Thus, the idea of knowledge as incomplete and in a constant state of construction and expansion is key to more resilient ideas about failure. As one interviewee said, “Each failure taught me that I needed to learn more about different areas.” Hence, the more entrepreneurs are involved with the discourses within their communities, the wider capacity for resilience they will have. In fact, the socialization of failure seems to help this process both by accessing social learnings, and by expanding them with their individual cases. “[…] I can admit I screwed up, but that does not stop me from going on with the project.” (male entrepreneur).

If on the contrary, access to social knowledge is limited or lacking, and there is less discursive formalization, the individual will be farther away from resilience and closer to resistance. In such cases, entrepreneurs present a sense of individual fragility and in some cases, loneliness and even meaningfulness. “[…] when the personal aspects are not well, it is a clear indicator that purpose is lost and you are reaching failure.” (female entrepreneur).

It can then assert that in order to strengthen resilience – and develop its inherent skills – it must be understood and socialized as a key permanent component of the identity of an entrepreneur, as opposed to a merely accidental factor that only weights in during crises.

The structure that defines the social relations of the resistant entrepreneur is maintained through its circularity, rendering a reproduction of the initial conditions with minimum change. In the eventuality that these circular conditions are disrupted, entrepreneurs feel the urge to resist the disruptions or failures until the agitation ends and they can restitute the initial conditions and key factors that constituted the original structure. During this process of resistance, these entrepreneurs cannot learn because their cognition is inflexible to adaptation. This inability to integrate new learnings is further strengthened by the influence of informal support systems during the process of resistance. Since such support systems are generally primary, that is, integrated by family members and friends, the provided support is based on value judgments that are naturally alien to the entrepreneurship environment.

“When my business was failing my mother and wife were very supportive but at the same time worried. They ended up insisting that I quit my venture and take a job at uncle’s businesses.”

In contrast, the fundamental flexibility that distinguishes a resilient entrepreneurship environment regards constant disruption as a natural state of markets and external circumstances, thus defining failure in
consequence as the inability to adapt and adjust to external transformations in an optimal manner.

"External disturbances and sudden changes are a constant for entrepreneurs, but what matters is the way in which the individual accepts them." (entrepreneur).

"I was lucky to receive help to integrate myself into the business ecosystem." (entrepreneur).

An entrepreneur’s ecosystem breeds resilience in its members insomuch as it allows for the integration of new learnings systematically, adapting themselves to new conditions. The tendency towards the replication of original business models is an obstacle that curbs that vital flow of information resulting in stagnation of the cognitive expansion of the entrepreneur. While resistant entrepreneurs view failure as a process they have to endure, for resilient entrepreneurs, this means having to let go of what has been previously done to make room for new the integration of what has been experienced, in the form of learning. Flexible ecosystems, while acknowledging that disturbances are natural “external” factors that are to be expected, defines failure as having internal causes since an entrepreneur should have access to the cognitive resources that help adapt to changing circumstances and prevent external setbacks through their individual actions. The flexibility capacity demonstrated by resilient entrepreneurs is constantly strengthened through the involvement of their support systems.

Unlike the support systems of resistant entrepreneurs, those of resilient entrepreneurs are secondary, i.e., they do not result from the influence of family members or friends, and instead are based in formal spaces that work as a decentralized source of support that frequently takes the form of knowledge and experience repositories that can be translated into the expansion of the cognition of its members. In any case, it can be affirmed that the trajectory followed by resilient entrepreneurs tends toward openness to change due to the fact that its learning cycle is diverse and flexible and deals primarily with process and change.

In summary, individual discourses are constantly influenced and expanded by the context and ecosystem around the individual. This social source of discourses plays a crucial role in the meaning that entrepreneurs construct around failure and thus, in the actions that follow a specific failure. The more optimal the knowledge repositories available to an entrepreneur, the greater flexibility towards learning, adapting and continuing she will demonstrate in future ventures.

The resilient entrepreneur presents a greater involvement in the discourses and knowledge tools of the entrepreneurial ecosystem, while the resistant entrepreneur appears to have limited and erratic involvement. Failure is signified in a particular way based on the level of institutionalization that the entrepreneur presents. The greater the access to the institutionalized knowledge of its ecosystem, the more flexible and resilient the process post-failure appears to be; the less access to said knowledge will produce, on the other hand, a propensity towards replication and repetition during the process.

Conclusion and Implication

The purpose of this article was to explore how social factors of knowledge in specific entrepreneurial ecosystems, influence resilience of entrepreneurs in the face of failure contexts. Our objective was to understand to what extent social resources used by entrepreneurs allow them to continue their entrepreneurial activities or to give it up. Our findings challenge the assumption that entrepreneurs' resilience has to do only with personal traits. Both formal and tacit knowledge pools determine the information with which entrepreneurs measure their social reality and therefore influence their decision-making after the failed event.

This study has limitations to consider. The first has to do with the fact that the explored group consists of a small group of entrepreneurs who have previously failed. This necessarily implies a dissonance that may be addressed for future research. Second, although the exploration offers ways to deepen resilience, it is also limited in that it cannot draw conclusions about the determining aspects of maintaining or desisting from entrepreneurial activities. Future research could extend the sample to failed entrepreneurs in a context of high and low consolidation of their entrepreneurial ecosystems. Third, how social resources are presented to each of the types of entrepreneurs, regarding social and cultural factors and their implications in the particular meanings that entrepreneurs also need to be clearly understood.

In conclusion, the present study broadens the discussion on the factors that influence entrepreneurial intentions after a failed event. Moreover, it underlines the indirect relationship between the wealth of social knowledge registered by an entrepreneurial ecosystem and the entrepreneurial intention of entrepreneurs. These findings provide public policy makers with mechanisms to strengthen entrepreneurship ecosystems, especially in what has to do with the involvement of entrepreneurs in their relationship with the access and socialization of the particular social resources of their entrepreneurial context.
**Implications for Practice and Research**

The objective of this study was to analyze the entrepreneur’s discourse and its relationship with failure with a particular focus in the social factors that make entrepreneurs either to abandon an effort after a failure, or to keep their intention to continue the entrepreneurship. In order to do so, it analyzed the discourses amongst a group of entrepreneurs who have had previous personal experience with entrepreneurial failure. The narratives constructed by the entrepreneurs were examined with the objective of identifying social factors that make entrepreneurs more resilient (those who take again after experiencing a failure) or otherwise less resilient (those who do not undertake after experiencing a failure). Analyzing these discourses allowed us to understand the meanings that entrepreneurs give to failure and the underlying antecedents. It also shed light on the relevance that support systems and their social discourses have in the construction of trajectories of recovery of failure. It discovered that support systems (and their social-knowledge repositories), are critical in the trajectory modality (resistant or resistant) that entrepreneurs facing failure will take. This realization helped us understand the dynamics presented by the systemic components in the construction of resistant or resilient trajectories.

The capacity for flexibility that resilient entrepreneurs present, seems to be related to access to optimal and formalized support systems that are aligned with the requirements of their passing “moment” and will thus tend to improve their cognitive performance. Flexibility is generated through formal support systems that stimulate valuable interactions, allow recovery to take place, and favors trajectories that include new scenarios with better possibilities. Therefore, it is able to point out that the resistant model closes the possibilities of valuable interactions and refers to its own interactions (precarious and circular), while the resilient model seeks to open these up and explore them.

Research on entrepreneurial failure indicates that the deeper the involvement of an entrepreneur with the collections of knowledge from the ecosystem, the better skills will she have to face in a resilient manner, and without losing their motivation to undertake. Building repositories of knowledge and bringing them closer to a greater number of entrepreneurs would result in the establishment of more resilient trajectories to the detriment of more resistant and repetitive ones. Entrepreneurship ecosystems necessarily imply that entrepreneurs are increasingly embedded to their access to the social knowledge that is generated in their context.

Therefore, a policy of approaching social knowledge in terms of entrepreneurs translates into the creation of adaptable, flexible, and resilient trajectories.

**References**


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Appendix 1

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<tr>
<th>Verbatims</th>
<th>Analysis</th>
<th>Key words</th>
<th>Attitude</th>
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<tr>
<td>&quot;Those who stop doing or trying are not true entrepreneurs.&quot; (Entrepreneur, woman).</td>
<td>The restitution to the order prior to the disturbance is sought.</td>
<td>Restitution</td>
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<td>&quot;We do not accept the failure, for that reason, we are still here.&quot; (Entrepreneur, woman).</td>
<td>The acceptance and tenacity of maintaining the entrepreneurial intention has as its origin the individual will.</td>
<td>Individual Tenacity</td>
<td>Endurance</td>
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<td>&quot;Before failing, I learned not to listen to anyone.&quot; (Entrepreneur, man).</td>
<td>... Failure is the absence of guides to conduct behavior efficiently.</td>
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<td>&quot;... the external will always be there, the only thing one can do is accept that and anticipate.&quot; (entrepreneur).</td>
<td>Resilience is the expectation of uncertainty in your actions.</td>
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<td>&quot;... people fail because they don’t have the right people to guide them at all times.&quot; (Entrepreneur, man).</td>
<td>Process and change are inherent attitudes of resilient individuals.</td>
<td>Support network</td>
<td>Uncertainty</td>
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<tr>
<td>&quot;It is linked to your emotional capacity and the understanding that you cannot control anything.&quot; (entrepreneur).</td>
<td>External support influences the control of uncertainty and the implementation of efficient actions.</td>
<td></td>
<td>Change</td>
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<tr>
<td>&quot;I do not accept the ruling, but only change the model.&quot; (Entrepreneur, woman).</td>
<td>The support network serves as a space of security and trust in the face of risk.</td>
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<td>Flexibility</td>
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<td>&quot;... you can only deal with external factors if you feel good emotionally.&quot; (entrepreneur).</td>
<td>&quot;... I had the advantage that they helped me integrate into the entrepreneurial ecosystem.&quot; (Entrepreneur, woman).</td>
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<tr>
<td>&quot;... I have good ideas, but I have not had anyone to guide me.&quot; (entrepreneur).</td>
<td>&quot;... I have the ability to admit that I screwed up, but that doesn’t stop me from moving on to the next project.&quot; (Entrepreneur, man).</td>
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<td>&quot;With each failed attempt, I realized that I needed to learn more in different areas.&quot; (Entrepreneur, woman).</td>
<td>&quot;The external factors will always be there; what matters is the way in which the individual appropriates them&quot; (entrepreneur).</td>
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<td>&quot;... I have the ability to admit that I screwed up, but that doesn’t stop me from moving on to the next project.&quot; (Entrepreneur, man).</td>
<td>&quot;... I had the advantage that they helped me integrate into the entrepreneurial ecosystem.&quot; (Entrepreneur, woman).</td>
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<td>&quot;You learn along the way how to solve the problems that arise during the process that implies the informalization to the formalization of the company (entrepreneur).</td>
<td>&quot;... It is different to take risks if one has a network and a resource or if it does not lack them&quot;. (entrepreneur).</td>
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<td>&quot;Uncertainty is an external factor, because in Mexico &quot;the chile&quot; is undertaken because there are no institutions, nor adequate socialization in the ecosystem. (Entrepreneur, man).&quot;</td>
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