BUSINESS FAILURE AND THE DIMENSION OF ENTREPRENEURIAL LEARNING: STUDY WITH ENTREPRENEURS OF MICRO AND SMALL-SIZED ENTERPRISES

ABSTRACT

From a dynamic learning perspective, the development of comprehensive entrepreneurship takes into account that entrepreneurs learn during the creation and management of their enterprises. This study aims to analyze the dimension of entrepreneurial learning of entrepreneurs of micro and small-size companies that had business failure and have created new businesses. The methodology consists in a qualitative and exploratory study, with cross-section approach and longitudinal perspective. Three entrepreneurs were selected to participate in the study based on convenience and availability. Data were collected through interview in depth, using a standard protocol. Content analysis was used having the narrative as a basis for the research. The results showed that all entrepreneurs, at the time that they had business failure, presented an immediate and spontaneous reflexive action because they did not remain inactive when facing the challenges that had led them to stop their activities. In consideration of the dimension of entrepreneurial learning, we suggest that the acquisition of knowledge related to the overcoming of adversities and obstacles is able to stimulate and enable entrepreneurs to create a new venture.

Keywords: Business failure, dimension of entrepreneurial learning, micro and small-sized enterprises, new venturing.

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1 INTRODUCTION

The field of entrepreneurship is vast and has been explored in a variety of contexts, depicting activities related to individuals, groups and organizations. From the 90’s, there has been a growing and significant interest in the study of entrepreneurship as a continuous process of learning (POLITIS, 2008). The ability to learn new knowledge represents an important source of competitive advantage that must be cultivated by the entrepreneur (HISRIC; PETERS; SHEPHERD, 2014).

In the same trajectory, entrepreneurship researchers have considered failure as an important source for the development of skills, as well as a stimulus to different forms of learning that is fundamental for the entrepreneur and able to help them in their next business ventures (MCGRATH, 1999; MINNITI; BYGRAVE, 2001; POLITIS, 2008; COPE, 2011; UCBASARAN et al., 2013). It occurs that learning as a process can be complex and can be affected both by the nature of the first experiences and by the cognitive attributes of the entrepreneurs (POLITIS, 2008, COPE, 2011). A negative attitude towards failure is capable of significantly interfering with the individual’s capacity and even being an emotional and traumatic experience (MCGRATH, 1999; SHEPHERD, 2003).

Because it is a topic still little explored in the business literature (POLITIS, 2008; COPE 2011 and UCBASARAN et al., 2013), studies highlight the learning process of entrepreneurs in the final phase of the life of their enterprises, mainly small businesses, as a field that still needs to be developed at different conceptual levels (SHEPHERD, 2003; BLACKBURN; KOVALAINEN, 2009). From this perspective, a theoretical orientation on entrepreneurial learning in a constructivist approach becomes pertinent. Merriam and Caffarella (1999) relate the learning to a process of meaning-making, and to the way people form sense of their experiences.

For Cope (2011), the experience of business failure represents the dynamic perspective of entrepreneurship, of what and how entrepreneurs learn, both on a personal and business level. Studies by this author (2005, 2011), highlight four categories that result in an entrepreneurial learning dimension. Therefore, the present study aims to analyze the learning dimension of entrepreneurs of micro and small companies who had business failure and created new businesses.

The paper is organized into five sections, including this introduction. Section 2 presents the theoretical framework about business failure and the dimension of entrepreneurial learning. Section 3 describes the methodological procedures adopted. Section 4 presents the analysis and discussion of the results. In turn, in section 5, the conclusions and the final considerations are made.

2 THEORETICAL FRAMEWORK

This section describes the conceptual aspects adopted in the research that will be used as a basis for the analysis of the results.

2.1 Business Failure

Failure is common in many new business ventures, especially given the current global economic environment. In the course of developing a business, the entrepreneur is likely to face adversity, perhaps because of external factors (economy, competition, changes in consumer needs, technology); or adversity is self-imposed, such as maladministration (HISRIC; PETERS; SHEPHERD, 2014); lack of strategic or operational planning regarding formality, innovation capacity, among others (ALBUQUERQUE; ESCRIVÃO FILHO; TERENCE, 2014).
Studies carried out by the Institute of Geography and Statistics (IBGE, 2010) conclude that most micro and small enterprises do not survive more than three years in the Brazilian market. The chances of a company terminating its activities depend on a set of factors that when combined, increase or reduce the risk of its closure (OLIVEIRA, 2006). Authors such as Cochran (1981), Haswell and Holmes (1989), Kennedy and Tennent (2006) and Minello, Scherer, Costa Alves (2014) related the mortality or bankruptcy of most companies to the absence of managerial competence and experience in the business field. Allied to these factors is the emotional pressure (MINELLO; COSTA ALVES; SCHERER, 2012).

For Robinson (2007), business failure is an important aspect of the economy to be studied, but different definitions make it difficult to analyze. Mellahi and Wilkinson (2004) emphasize that several terms have been used in the literature to define business failure: organizational mortality, organizational death, organizational outflow, bankruptcy, decline, reduction, downsizing, and failure. For this study, the term ‘business failure’ will be understood as the discontinuance of business or closure of the business for some reason, going beyond the relatively narrow conceptions of failure such as bankruptcy or liquidation (FERREIRA et al., 2012).

The effects of individual business failure are complex and paradoxical since the individual and their enterprise are highly intertwined (UCBASARAN et al., 2013). Decisions are guided by the characteristics, knowledge, skills and capabilities of the entrepreneur during the life cycle of their business (HISRICH; PETERS; SHEPHERD, 2014). Their entrepreneurial career is greatly influenced by what is happening in their personal and family life (DYER, 1994).

In the view of Cope (2011), failure is a complex process and not an isolated event, a ‘learning journey’, a metaphor borrowed from Cardon and McGrath (1999), characterized by three interrelated phases: a) reflection of the costs of failure: the process of removing psychological pain from the numerous costs of failure (financial, social and psychological); b) critical reflection: the period during which the entrepreneur engages in a determined and conscious attempt to learn and make sense of failure (sensemaking) and; c) reflexive action: the phase in which the entrepreneur seeks to recover and continue in the search for new opportunities, through a behavioral and cognitive process.

Understanding the relationship between reflection, learning, and action is of vital importance, for it is through reflection that experience is transformed into learning (COPE 2005, 2011). Thus, the learning journey before reflexive action allows the entrepreneur to evolve in their learning in the search for other opportunities. Next, the entrepreneurship learning dimension will be addressed.

2.2 Dimension of entrepreneurial learning

In the context of this study, the vision of the learning process occurs through the construction of meaning through experience. In order to deal with a new experience, the person makes use of the knowledge that he/she has developed due to previous events and, in this process of learning, he/she is influenced by the network of relationships and the material and informational resources to which it has access in its day to day (DIDIER; LUCENA, 2008). Both positive and negative experiences impact the learning process (MINNITI; BYGRAVE, 2001).

From the learning journey analyzed in the context of failure, a study by Cope (2011) presents four categories of learning, which characterize what he calls the Dimension of Entrepreneurial Learning. The first category, ‘learning about oneself’, constitutes an approach focused on transformative learning (MEZIROW, 1991), recognizing that it is caused by some kind of crisis that
occurs in one’s personal life. It presents a guidance on the strengths, weaknesses, abilities, attitudes, beliefs, and areas of development. The second category, called ‘learning about business and failure’, focuses on double-loop learning (ARGYRIS; SCHÖN, 1978), in which the entrepreneur develops a renewed understanding or a redefinition of the processes and strategies employed in the organization. Targeting is about business strengths and weaknesses, including reasons for failure. In the third category, ‘learning about networks and relationships’, learning is stimulated by the previous two categories (MEZIROW, 1991; ARGYRIS; SCHÖN, 1978), with attention to the nature and management of relationships, internal and external to the enterprise. In turn, in the fourth category, ‘learning about business management’, the teaching results in two approaches: i) retrospective (adaptive) learning, in which the entrepreneur develops a cognitive reserve of experiential learning, which enables them to reflect and then make use of the teachings in similar situations and; ii) prospective (proactive) learning, “a process that allows entrepreneurs to become sensitive to potential critical incidents” (COPE 2005, p. 387). In this last category, the focus is given to the execution and control of the business, more specifically in relation to the general environment, generative learning (GIBB, 1997).

The following are the methodological procedures adopted for this study.

3 METHODOLOGICAL ASPECTS

This study adopts a qualitative and exploratory approach. “The qualitative approach to a problem, besides being an option of the researcher, is justified, above all, because it is an adequate way to understand the nature of a social phenomenon” (RICHARDSON, 1999, p.79). The exploratory approach seeks to capture the perspective of the participants (LÜDKE; ANDRÉ, 1986). Cases of entrepreneurial failure are little explored since it is delicate to investigate participants’ retelling stressful situations (MINELLO; SCHERER, 2014), with a significant intensity of emotional load on the entrepreneurs (FLECK, 2009).

This research adopted a temporal perspective of cross-section with longitudinal approximation, where “the data collection is done at a given time, but it recovers data and information from other past periods [...] to explain the current configuration of the phenomenon” (VIEIRA, 2006, p.21).

Regarding the selection of the interviewees, when the sample was defined there was no need to adopt systematic selection procedures because this remains characterized as non-probabilistic, being certain that its definition depended on the judgment of the researcher (DUARTE, 2012). Thus, during the maturation of the research, given the nature “that the phenomenon in question causes and mobilizes feelings, emotions, fears, expectations, shame, that is, questions charged with subjectivity” (MINELLO, 2010, p. 100-101) and whereas, in general, entrepreneurs have shown no interest in expressing themselves as to the reasons for the closure of their business (SHEPHERD; WIKLUND, 2006), the selection was determined by convenience. According to Duarte (2012), this sample is based on viability, i.e., when sources are selected by proximity or availability. In this sense, the selection of the interviewees was for convenience, considering the criterion of availability of entrepreneurs who experienced a situation of discontinuity of their business and they did not succumb to it (MINELLO, 2010).

Eisenhardt (1989) emphasizes the importance of establishing criteria for the choice of the sample since they will allow for the ability to replicate or extend the emerging theory. The choice of the entrepreneurs to carry out this research was defined based on the establishment of the following criteria: a) that the business fit as micro or small business, according to the number of employees combined with the industry established by different public and private institutions,
among which the Brazilian Micro and Small Business Support Service (SEBRAE, 2012); b) that the entrepreneur acts in the business as owner-manager and; c) that the entrepreneur has experienced the discontinuity of previous business activities and invested in another business. We selected three entrepreneurs, who in this article are called E1, E2 and E3.

We performed the data collection procedure through an in-depth interview (MASON, 1996), whose script was composed of guiding questions about business failure based on the Learning Journey with its three phases and the Dimension of Entrepreneurial Learning with the four categories of learning (COPE, 2011). The interviews lasted approximately two hours and were conducted in the period between May and October 2014. Records were made by means of direct recording, with the voluntary and consensual participation of the entrepreneurs.

To analyze the data, we used the content analysis method, which is defined as a “set of techniques of analysis of communications aiming to obtain by systematic procedures and objectives of description of the content of the messages indicators [...] that allow the inference of knowledge regarding the conditions of production [...] of these messages” (BARDIN, 2011, p. 48). We adopted the ‘theme’ as a unit of record, which has been widely used to study motivations, opinions, attitudes, beliefs (RICHARDSON, 1999; BARDIN, 2011). In order to make the search result more reliable, according to the proposal by Bardin (2011) – the pre-analysis, the exploitation of the material and the treatment of the data –, a context was established between theory, method and result, with the establishment of the following steps for data analysis and interpretation: a) transcribing and reading the interviews; b) ordering the transcribed text for analysis; c) reading the statements from the interviewees’ reports, seeking to highlight the main aspects when forming categories a priori by period or by event; d) writing of the analysis with the use of the excerpts and / or interpretation of the declarations of the entrepreneurs, having the narrative as a basis for the research (JOVCHELOVITCH; BAUER, 2003); and e) finally, interpreting the data, verifying the consistency of the interviewer’s argument and information, establishing relationships and the discussion around the evidence generated in the entrepreneurial careers of the interviewees and their learning in the face of business failure.

In in-depth interviews, the wealth and heterogeneity of responses are not only expected, but also desirable. Each respondent presents his/her vision that may have colored, interpretations, different versions. It is the researcher’s role to organize them coherently in an understandable and articulated format. The result in general is more descriptive, analytical, reflective than conclusive (DUARTE, 2012, p. 81)

Given the importance and richness of the data obtained, and so as not to lose contact with the factual reality coming from the reports of the interviewees, the researchers adopted a more time-consuming strategy of carefully and repeatedly reading the interview data of each one of the interview data of each one of the entrepreneurs. With the research being exploratory, we decided not to use software for textual analysis, considering that the software only offers some process automation instruments, but does not perform the analysis itself, nor does it replace the use of a method for such (FLIK, 2009).

It should be noted, when appropriate, that the statements made by the entrepreneurs were inserted in the body of the work in the exact form in which their statements were given, being sure that the words, slang, terms, and positions were correctly transcribed by the interviewees.

We will then analyze and discuss the results of the research developed.
4 DATA PRESENTATION AND ANALYSIS AND DISCUSSION OF RESULTS

In order to compare the set of explanatory models of the previously selected literature with the data coming from field research and to show similarities and differences about the reality of each interviewee, this section has the purpose of analyzing and discussing the data of the interviews conducted with the three participants.

For this purpose, we first will present the characterization of entrepreneurs and their businesses. Afterwards, a brief and individual description of their previous experiences until failure will be given. Finally, the business failure experienced by the research participants will be analyzed jointly, as well as their dimensions of entrepreneurial learning.

4.1 Characterization of entrepreneurs and their businesses

Figure 1 summarizes the characterization of the entrepreneurs who participated in the research, their businesses prior to the business failure and the new businesses created after that event.

| Entrepreneur | Gender | Current age group | Marital status | Education/courses 1- Previous to failure 2- New business | Business before business failure (location, number of employees and partners) | New business (location, number of employees and partners) |
|--------------|--------|------------------|----------------|--------------------------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------
| E1           | M      | 46-50            | Married        | 1- English Teacher, Graduated in Business Administration; 2- Entrepreneurial training courses | Languages course (Rio de Janeiro, 22 employees, without partner) | Languages course (RJ, 12 employees, without partner) |
| E2           | M      | 41-45            | Single         | 1- Graduated in Computing; 2- Graduated in Business Administration, MBA in People Management, Postgraduate in Information System | Computer science trade (Paraná, 3 employees, 3 partners) | 1) Computer science trade (Paraná) 2) IT Services (PR) 3) Shopping website (PR) 4) Marketing consulting (PR) (12 employees in total and 3 partners) |
| E3           | M      | 41-45            | Single         | 1- Accounting Assistant, Bachelor's and Bachelor's Degree in Biological Sciences, Master and PhD in Biology; 2- Post-doctorate in Biology | Transportation Services (Mato Grosso do Sul, 1 employee, 3 partners) | Entertainment (pub) (São Paulo, 5 employees, 3 partners) |

Figure 1 - Characterization of entrepreneurs and their businesses
Source: Research data

4.2 Description of previous entrepreneurs’ experience to business failure

In the present study, in order to facilitate the understanding of the joint analysis of the data collected in the research, we will briefly describe, in an individualized way, the previous experience of the entrepreneurs until the closure of the activities of their first businesses.
4.2.1 Entrepreneur E1

The professional career of the interviewee was in academics since he always taught English classes, as recorded: “I gave individual classes to a lot of people and then my name became a reference. They called me to teach at companies, I did very well, very well”. In addition to his previous statement, his remarks show the dream of owning a business of his own: “[...] I already had this idea and everybody said: you were born to be an English teacher and then I created a method to teach English”.

It appears that entrepreneur E1 faced difficulties related to the administrative and financial part of his business, which led him to failure. In his evaluation of the problems that occurred during the management of his company, the interviewee ventured saying: “[...] The problem is that I was a bad administrator. I did not take course to be an entrepreneur. And that’s what happened. It was total failure. […] I had to close the courses, and my debt came to be 200,000.00 BRL”.

4.2.2 Entrepreneur E2

The interviewee’s intention to undertake a business venture started early, while still in college, as reported: “[...] I wanted to work with technology, but also with people, wanted to learn and teach […]”. The entrepreneur began his professional career with the provision of personal training services in computing and, and by noticing an increase in the number of people interested in his work, he decided to set up his company. In the words of E2: “[...] I decided to undertake this business venture on a larger scale”.

However, his enterprise did not develop as planned, as the lack of experience prevented him from closing the deal, as he reported: “[...] I had no experience in setting up businesses, in specific knowledge of management, maturity, and all of this added up the failure of the first business”. In reflecting on the problems that had materialized during the running of his business venture, E2 also reports financial problems in declaring: “I opened the company and did not have working capital to withstand the first few months until the company reached break even”.

4.2.3 Entrepreneur E3

Despite the academic career of the entrepreneur, the experience had on a given trip gave rise to the intention to set up a business, as stated: “[...] I arrived in Bonito (MS) at a time when all the vans had already departed, […] so I took a private taxi that cost a lot. […] I had the idea of setting up an executive transport company”.

However, the lack of knowledge in business management led E3 to hire employees who were not competent to work in their company’s activities. In addition, the inability to control expenditures and plan growth would have led to the failure of the enterprise. In this sense, the interviewee records that: “[...] from a certain moment I lost all control of what happened in the company. Where the car was, […] how much was spent on fuel, how much money got in and out […]”.

4.3 Entrepreneurial failure and Dimension of entrepreneurial learning

In order to achieve the objective of this study, the data collected in the interviews conducted with the three entrepreneurs will be grouped and analyzed together.
4.3.1 Business failure

We first highlight the definitions of business failure presented by the entrepreneurs in their interviews in Figure 2.

<table>
<thead>
<tr>
<th></th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>E1</td>
<td>“It is getting stuck in debt. It is being unable to maintain the structure. Even struggle to try to pay off debts”</td>
</tr>
<tr>
<td>E2</td>
<td>“It is me failing to achieve the objectives proposed in a venture due to lack of knowledge and money”.</td>
</tr>
<tr>
<td>E3</td>
<td>“[... ] set up a business about which I have no knowledge”.</td>
</tr>
</tbody>
</table>

Figure 2 - Definitions of failure in the perception of the entrepreneurs
Source: research data

The joint analysis of the statements shows that, for the participants of the research, the failure would be directly related to how they developed their business. Factors associated with the mortality of small firms are highly interconnected and depend largely on the performance of the entrepreneur, which tends to influence the performance of the business and its eventual survival or death (FERREIRA et al., 2012).

The evidence shows that the causes of business failure could be endogenous factors, those that make up the sphere of control of the individual, such as the nature, capacity, and ability of the entrepreneur, which corroborates with the conclusions of several authors (THENG; BOON, 1996; SEBRAE, 2008; SEBRAE-SP, 2014).

From the understanding of what business failure would be for entrepreneurs, the need to present and analyze their learning days becomes apparent, in the three interrelated phases that are defined by Cope (2011), as stated in the theoretical framework.

Reflection on the costs of failure:

Costs resulting from business failure impact entrepreneurs (UCBASARAN et al. 2013). The combination of the data collected in the interviews demonstrates that, for the entrepreneurs of this research, financial, social and psychological costs had a personal, family, and professional influence.

Regarding the financial costs, all the interviewees, even to different degrees, verifiably had a certain kind of loss. Some were able to absorb such costs more easily than others, especially by pursuing a second professional activity, as in the case of the E3 Entrepreneur who, despite experiencing the failure of a new business, through his statements demonstrates having financial support because he was always supported by his university teaching career. For the E1 entrepreneur, the financial impact was, and continues to be, a real challenge, although he stated that he had already made a plan to pay off his debts and, therefore, went back to the same line of business. For E2, the failure was painful as he needed to once again generate an income for survival, but with the help of his family, he succeeded in reversing the situation in that he was able to return to the practice of consultancy in the area of computer science at the optimal time to earn income.

Studies by the authors Longenecker, Simonetti and Sharkei (1999) about the reason why organizations fail concluded that, among other failures, those related to financial management are considered the most reported in research. For the three entrepreneurs studied, as verified by previous reports, the context was not different since one of the biggest problems of failure is related to financial problems. According to E1’s previously recorded statement, for him “[...] starting without working capital is a problem”.

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With regard to social costs, once again all respondents stated that they had had difficult and stressful times. For Harris and Sutton (1986) and Cope (2011), social costs impact personal and professional relationships. The entrepreneur E1 records that: “At that moment, I had to leave home, because I needed to be myself. […] I got lost in my marriage, but we are still together”. As for E2, he presented difficulties in relationships with people close to him and stated: “Today I’m always walking on eggshells”. E3, in turn, by breaking off the relationship with his fiancée’s family, he moved even further from his business, as stated: “[…] the relationship no longer exists, because her brother, who is my partner, and the father, who was my driver, no longer provide accounts of the company that I set up trusting them”. The statements highlighted formalize a clear situation of stress caused by disagreements and disappointments with family, friends, and partners.

Psychological costs, in their emotional aspect, have taken their toll on all of the entrepreneurs, especially because they have closed their businesses. According to the authors Minello and Scherer (2014), some people seem to recover quickly from losses, later on they have unexpected health problems, concentration difficulties, or attitude / behavioral changes toward how they face life. For Minello (2010) failure in business not only brings an economic loss for the entrepreneurial individual but also psychological repercussions on their affective life and on the way they perceive the world around them. As stated by the entrepreneur E2: “So, like this, I really saw myself in the ashes […] There were days I would count the pennies, I would check to see if I could buy a bread loaf […]”.

Given the discontinuity of their business activities, the fact that these entrepreneurs are dynamic and proactive led them to make new investment with the consequent increase in financial costs, whether with formal education, the search for another job, or even undertaking other businesses. For Shephard (2003) and Shepherd, Wiklund, and Haynie (2009), postponement of pain caused by failure is important for emotional recovery. Cope (2011) teaches us that the interrelationship between emotional and social costs of failure promotes an experience that characterizes a higher level of entrepreneurial learning.

**Critical reflection and reflexive action:**

For Cope (2011), the second and third phases of the learning journey contribute to the healing process, because they help the entrepreneur to have a constructive ending in a painful chapter of their lives.

The participants of the survey, in the course of their interviews, when reflecting on the moment of closing of their business, sought to give meaning to the failure. Thus, their recovery processes, both in terms of prevention and in the confrontation of the failaure, has allowed them to return to their previous achievements to pursue other opportunities through a learning process, reflexive action. To understand why some entrepreneurs recover from failure more quickly than others, it is necessary to verify the social interaction that has occurred in their lives (MEZIROW, 1991). In this study, it was found that the recovery of the entrepreneurs came from the support of friends, spouses, parents, and the family in general.

Figure 3 highlights the synthesis of the statements of the three interviewees about their critical reflections (learning and sensemaking), and also on their reflexive actions (recovery and cognitive and behavioral processes (MINNITI, BYGRAVE, 2001; POLITIS, 2005; UCBASARAN et al., 2013). It is worth mentioning the fact that social interaction for entrepreneurs was fundamental to overcoming the adversities faced. This support is important during and after the launch of a new business (HISRICHT; PETERS; SHEPHERD, 2014) and plays a crucial role during the difficult and solitary moments throughout the entrepreneurial process. Other studies corroborate these results (BYGRAVE, 2010; TEIXEIRA et al., 2011; MINELLO; SCHERER, 2014).
During the development of the entrepreneurial learning journey, knowledge, making sense of the failure, and action are interconnected. Therefore, it is necessary to appreciate the way in which entrepreneurs perceive new situations, learn and, therefore, use their learning in a process of creating a prospective action (COPE, 2011).

4.3.2 Dimension of entrepreneurial learning

According to Minello and Scherer (2014) depending on how the individual deals with adversity and their ability to cope, they can take advantage of the situation of business failure to strengthen themselves through the lived experience and the learning generated by it. This will highlight the dimension of entrepreneurial learning of the three research participants, which were constructed by interpreting the meaning of their experiences.
Learning about themselves:

Given a specific and real context of business failure, entrepreneurs acquire and improve managerial skills that involve: knowledge, theoretical and operational; the know-how (skills), the associated professional experience and; knowing how to act (attitudes) (RUAS, 2010; D’AMÉLIO, 2011).

The participants demonstrated resilient behavior and a proactive attitude. Thus, Figure 4 summarizes the statements made by the three entrepreneurs about this category.

<table>
<thead>
<tr>
<th>LEARNING ABOUT THEMSELVES</th>
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<tbody>
<tr>
<td><strong>E1</strong></td>
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<tr>
<td>I made some harsh self-criticism. I saw that I was a lousy administrator, [...] I was creating a problem choosing the wrong people. I’m very sentimental on the professional side, which I cannot be. [...]This brought me some learning, today is different. There are moments that you have to know to say no.</td>
</tr>
<tr>
<td><strong>E2</strong></td>
</tr>
<tr>
<td>[...] so I clung to a new challenge. I learned to work very well with my spiritual interior. [...] so that I can continue to survive and continue walking. [...] at the moment of loss faith helps a lot.</td>
</tr>
<tr>
<td><strong>E3</strong></td>
</tr>
<tr>
<td>[...] I did not understand anything about transportation and I did not understand anything about the bar, because it has nothing to do with my area of expertise [...] I cannot do this anymore, otherwise I go bankrupt, I’ll lose all my money. Setting up everything that is business I will never grow in life. [...] I intend to start a business again, but when I am retired from my duties.</td>
</tr>
</tbody>
</table>

Figure 4 - Category of learning about oneself
Source: research data

Learning about business and failure:

The statements of the entrepreneurs about the strengths and weaknesses of their business show their need to navigate the identities of being a private individual and being a business owner. And this situation is justified because, according to Ucbasaran et al. (2013), the individual and their business are highly intertwined (owner and manager).

It turns out that entrepreneurs have improved their skills and capabilities while identifying the strengths and weaknesses of their business. In this category, Figure 5 highlights the statements of the three participants.

<table>
<thead>
<tr>
<th>LEARNING ABOUT BUSINESS AND INSTRUCTION</th>
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<tbody>
<tr>
<td><strong>E1</strong></td>
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<tr>
<td>I had no problems, I arrived well, I had capital, because I had already taught individual classes, I already had target public, I already had clients, the problem is that I was a poor administrator. I did not take course to be an entrepreneur. [...] Today I know how to run a business. [...] Lack of experience and unpreparedness bring administrative and financial problems.</td>
</tr>
<tr>
<td><strong>E2</strong></td>
</tr>
<tr>
<td>[...] the strong point that I saw was this question of me launching myself and being at ease to communicate. It took planning for me to win the first wave of customers, [...] I've always been pretty organized, [...] Organization and planning are strengths for good business. Weakness was an extremely fragile working capital.</td>
</tr>
<tr>
<td><strong>E3</strong></td>
</tr>
<tr>
<td>It was a very great learning, [...] that I will only set up another business when I can be present, manage financially and operationally. One does not set up a business that they don’t know about and cannot attend to.</td>
</tr>
</tbody>
</table>

Figure 5 – Category of learning about business and failure
Source: research data
Learning about networks and relationships:

In this category, entrepreneurs’ declarations show the creation and sharing of meaning through social and cultural participation, in the area of interest and in other networks of relationships. What is learned does not belong to a single person, but is shared among network members, who may be key people such as: customers, employees, suppliers, investors, opinion formers, specialists, and consultants (RAE, 2004). The author also highlights that this form of learning can lead to conflicts and disagreements over time. In the present research, the entrepreneurs E2 and E3 declared agreements or disagreements with their partners or employees during the entrepreneurial process, even if to different degrees.

In order to register the context of learning acquired by the entrepreneurs in this category, we highlight the entrepreneurs’ statements in Figure 6.

<table>
<thead>
<tr>
<th>LEARNING ABOUT NETWORKS AND RELATIONSHIPS</th>
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<tbody>
<tr>
<td><strong>E1</strong></td>
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<tr>
<td><strong>E2</strong></td>
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<tr>
<td><strong>E3</strong></td>
</tr>
</tbody>
</table>

Figure 6 - Network and Relationship Learning Category
Source: research data

Learn About Business Management:

To manage is to deal with complexity and, considering the accumulation of activities exercised by the entrepreneurs, it can be seen that this category absorbs the three previous lessons. Therefore, it is verified that the interviewees added to their knowledge new orientations, which can be used in the practice of their activities, especially in the face of the problems that are part of their routine. They demonstrated greater awareness and maturity to act in moments of pressure and tension.

The statements of the entrepreneurs studied show that, at the time when they were reflecting critically on their past business, they would have been more cautious about the risks inherent in setting up a business venture as, for example, E8 stated: “[…] I cannot do this anymore, if I’m not going to fail, I’m going to lose all my money”.

Referring to the category analyzed here, with emphasis on its two approaches, according to the theoretical framework, Figure 7, composed of statements made by entrepreneurs.
LEARNING ABOUT BUSINESS MANAGEMENT

| E1 | Adaptive | I am struggling to fulfill my obligations, [...] today I have to settle my debts, since I am working without working capital, this is not good. I’m counting on the students [...]. So this is the situation I want to reverse. Commitments and financial obligations must be honored. |
| E2 | Adaptive | And then you learn from the mistakes, start adopting preventive policies. [...] seek management knowledge about the business. [...] so I learned a lot too, in pain, but I learned a lot about the art there of conducting business, even though they do not have the specific knowledge, [...]. So this is a school for people. |
| E3 | Proactive | [...], so learning came to me. Passion is not enough and the dream has to unite a basic planning. We have to join this, at least a basic planning for you to start a new business, which was the great learning curve. |
| E3 | Adaptive | We learn from the routine yes, mainly in the sense that I needed to dance according to my music. You need to know the market. Focusing on what the customer wants and not on what I want. So this I learned. |
| E3 | Proactive | I learned that there are two very large risks: you set up a business that you have no market knowledge, [...] and you set up a business and talk: ‘hey you, business, stay there automanaging yourself, because I do not have time for you’. [...] minimize risks. You must have knowledge and be present in the business. |

Figure 7 - Category of learning about business management
Source: research data

From this analysis, the next section will present the conclusion and final considerations of the study.

5 CONCLUSIONS AND FINAL CONSIDERATIONS

Great learning occurs when there are changes in beliefs, points of view, and perspectives that shape the individual’s perception of the world (COPE; WATTS, 2000). Entrepreneurs can learn from failure since they use the available information about the reasons why the company went bankrupt to review their knowledge of how to effectively run their own business (SHEPHERD, 2003). For Cope (2005, 2011), the events of failure during the entrepreneurial process can stimulate different forms of high level of learning, which can be divided in four categories that make up what is known as learning dimension.

In this scenario, the present study records the results of research produced with the objective of analyzing the learning dimension of entrepreneurs from micro and small companies that had business failure and created new businesses.

Based on the verification of the moment in which the discontinuity of the entrepreneurial activity of each entrepreneur interviewed and, after the individual analysis of their learning days, the study demonstrates that new knowledge is acquired because of this complex relationship between reflection, learning and action.
Such learning entails the attention to new skills that may emerge in this process since there is a stock of experience acquired by the entrepreneurs who, at the same time, are learning and developing the management of their business.

The fact that, for all the participating entrepreneurs, the reflexive action presented spontaneously, either because they started a new business before they formally closed the previous one, either because they have invested in a new project in a short space of time. This fact is explained by the dynamics with which they described their recoveries since they did not remain inactive in the face of the reality of the failure of their enterprises. The E1 entrepreneur stated that it would have only taken two months to reopen the business. According to E2, the feeling of impotence lasted only a short time. E3 decidedly went ahead with the installation of a second business, in diverse sectors, before even formally ending the activities of the previous one.

In the dimension of entrepreneurial learning, research reveals that entrepreneurs have added to their knowledge guidelines that, in practice, are already being used in their new businesses, especially in the face of obstacles and misfortunes that are part of the business dynamics.

Joint analysis of the statements made by the research participants, produced from the grouping of collected data and its classification and evaluation in each of the categories studied, makes it possible to extract the main lessons learned by the entrepreneurs.

By revealing how they learn about themselves, respondents demonstrate maturity from the crisis in their personal lives. The entrepreneur E1, for example, states that: “There are moments you have to learn to say no”. Entrepreneur E2 states: “I learned to work very well with my inner spiritual”. In turn, E3 records that: “Keeping everything business related, I will never grow in life”.

As the main lesson from business and failure, considering the verification of the identity existing between the individual and legal entity, E1 believes that “Lack of experience and unpreparedness bring administrative and financial problems”. For E2, “Organization and planning are strengths for a business” and E3 declares: “One does not set up a business that they do not know about and where they cannot be present”.

In relation to networks and relationships, these entrepreneurs have demonstrated a dynamic of social learning within the entrepreneurial process since they presented models of how they currently relate to partners, employees, associates, and other agents that make up their social environment. E1 understands that: “Working in a team is essential to the business”. As for E2: “True leaders are always forming new leaders”, while E3 states that: “You have to have control over your employees”.

Regarding learning related to business management, in its retrospective (adaptive) approach, the entrepreneur E1 understands that “[...]it is necessary to honor commitments and financial obligations”. For E2, the entrepreneur must: “Seek management knowledge about their business”. On the same note, according to E3: “You must know the market. If you focus on what the customer wants”. Finally, in a prospective (proactive) approach, the main lesson learned by entrepreneur E1 is that: “The market needs things faster today”. For E2: “Passion and dream are not enough. You have to join a basic planning”. E3 evidences his learning by stating that, in the frontline of the enterprise, the entrepreneur must: “Minimize the risks. You must have knowledge and be present in the business”.

Through these results, we believe that the general objective of the research was achieved. The contributions of this study are academic and practical. The results obtained are incorporated in the studies on entrepreneurship learning and business failure, themes that still need to be researched, especially in the relationship between the two themes, as evidence for the learning that happens from experiences of failure. In terms of organizational practice, the results contribute to increasing the knowledge of entrepreneurs about the learning that comes
from a process of reflection, as well as to help them to better utilize the experiences had in the context of business failure, as it enables the improvement of the capacity to discover and exploit entrepreneurial opportunities.

In this study, we also found difficulty in searching for data in institutions supporting business activities, such as, for example, the Brazilian Institute of Geography and Statistics (IBGE) and SEBRAE. These bodies have information only on entrepreneurship in Brazil and the number of deaths of micro and small national companies, but they do not have a database that allows access to entrepreneurs who have gone through the experience of failure and created new businesses. The lack of data we encountered was also, in part, seen in the study by Minello (2010). For this reason, we opted to choose respondents by availability.

In the opportunity, it is necessary to emphasize that the results in the present research, until further studies on the same theme are carried out, should be interpreted exclusively in relation to the entrepreneurs interviewed. Because it is an interpretative research, where the methodological emphasis is developed through the individual, the results are restricted to the memory of the participating entrepreneurs and the inference of the researchers. New knowledge may arise, since over time the impacts of these events may have disappeared, since learning is a dynamic and continuous process, changing in the light of new experiences (MINNITI; BYGRAVE, 2001).

Finally, as a suggestion for future research, in order to continue and deepen the theme explored, we suggest the replication of this study with a larger number of entrepreneurs, in order to verify the pertinence of the results or, still, together with entrepreneurs who carry out their activities in a specific business sector.

REFERENCES


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