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# What is entrepreneurial failure? Implications for future research

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**Abstract**
Research into entrepreneurial failure is increasing in prevalence. However, there remains a lack of clarity surrounding how failure is conceptualized. This is an important issue because how failure is conceptualized influences the relevance of research questions posed and the comparability of findings across studies. In this article, we review conceptualizations of entrepreneurial failure including at two levels of analysis (firm and individual) and perspectives of failure (objective and subjective). We discuss the implications these conceptualizations have for future research, including the sampling frame and questions scholars ask.

**Keywords**
bankruptcy, entrepreneurial failure, entrepreneurial opportunities, exit, levels of analysis

## Introduction

With uncertainty as a defining characteristic of entrepreneurship (Knight, 1921) and creative destruction an expected consequence of innovative products being introduced to the market (Schumpeter, 1934), failure is inherent to the entrepreneurial process. Recent research has begun to focus on failure as a crucial yet understudied aspect of the entrepreneurship process (DeTienne, 2010; McGrath, 1999; Sarasvathy et al., 2013), and in particular, the impact that failure can have on an entrepreneur (Ucbasaran et al., 2013).

However, implicit in entrepreneurial failure research is that firm-level failure and individual-level failure are synonymous. Very few studies differentiate between these two levels of analysis (Cardon et al., 2011). For example, an entrepreneur can fail, yet his or her business can be successfully taken over by another individual. Alternatively, a firm may fail, but the entrepreneur may go

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on and create successful firms in the future (Sarasvathy et al., 2013). Thus, as noted by Sarasvathy (2004), failure of the firm does not necessarily imply failure for the entrepreneur.

Adding to the challenge of defining failure is that it has been conceptualized using either objective or subjective criteria at both the firm and individual levels of analysis. As a result, the meaning of entrepreneurial failure remains unclear. How failure is conceptualized influences the relevance of research questions posed and the comparability of findings across studies. Thus, greater understanding of how failure has been conceptualized and the implications of these conceptualizations for addressing relevant research questions are crucial for building theory-driven knowledge and gaining a comprehensive view of the implications of failure in the context of entrepreneurship (Ucbasaran et al., 2013).

In this article, we review how failure has been conceptualized. We do so in order to illustrate the importance of considering the level of analysis at which failure is defined (e.g. firm or individual level), the objective and subjective differences in these definitions, and the implications of these differences for future research, such as the relevance of research questions posed and sampling frames employed. We suggest that failure should not be considered as a single all-encompassing phenomenon, but rather one which includes a broader range of situations at different levels of analysis. We conclude by suggesting how different conceptualizations of failure relate to the relevant research questions and the theories appropriate for their investigation.

## Entrepreneurial failure

### *Entrepreneurial failure and its relationship to exit*

We commence by discussing failure as a distinct form of exit. This is because, historically, exit was treated synonymously with failure of the firm or failure of the entrepreneur (Wennberg et al., 2010). However, at the individual level of analysis, there is substantial variance in firm performance when entrepreneurs exit their firms (DeTienne et al., 2014; Wennberg et al., 2010). For example, many entrepreneurs exit their firms to harvest their investment (DeTienne, 2010), retire, or pursue alternative employment opportunities (Headd, 2003; Watson and Everett, 1996). Such exits are often viewed as positive exits rather than failures (DeTienne et al., 2014). Many entrepreneurs are forced to exit their firms due to poor financial performance, such as insolvency. Such exits are often classified as failures (DeTienne, 2010). Hence, the exit of the entrepreneur from a firm is not a sufficient criterion for the entrepreneur to have experienced failure. This suggests a need for additional criteria to define individual-level entrepreneurial failure as a distinct form of exit.

At the firm level of analysis, there is slightly more clarity regarding the relationship between firm exit and failure. A distinction can be made between firms which are *forced* to close because they are financially unviable businesses (insolvency) and firms which are shut down by *choice* as the firm does not provide sufficient return on investment (Coad, 2013), or where the assets of the firm are not worth further harvesting (Wennberg et al., 2010). This suggests that 'firm exit' captures firm failure in a very broad sense, but where there is variance in the degree to which the firms were economically unviable at the time of exit (Coad, 2013). Thus, additional criteria at the firm level can help define the magnitude of the failure in economic terms.

### *Conceptualizing entrepreneurial failure*

In this section, we review how failure has been conceptualized in the literature. We focus our review on independent firms and the entrepreneurs who own and run them. In independent firms, it is difficult to disentangle an entrepreneur from the firm (Ucbasaran et al., 2013) as a key resource for the firm is the human capital of the entrepreneur (Alvarez and Busenitz, 2001). Thus, when conceptualizing failure in this context, both firm- and individual-level criteria are relevant. In our review, we focus on identifying the most common criteria that have been used when conceptualizing failure, rather than trying to identify an exhaustive list of definitions. We selected articles by entering the keywords 'failure' and 'firm' or 'business' or 'entrepreneur' or 'self-employment' or 'self-employed' in the high-quality online research databases Proquest's ABI/INFORM, Web of Knowledge, and Google Scholar, and we narrowed our focus to entrepreneurship and management journals. As this approach yielded over 3000 articles, we then focused on articles that had their main focus on failure in an entrepreneurial context. In total, we included 23 articles in our review: nine were conceptual and 14 empirical. We also monitored recent publications on entrepreneurial failure and incorporated these into our review. Our review process overlaps with others conducted in this area (e.g. Ucbasaran et al., 2013), but differs in that its focus is on how failure is conceptualized and the implications of such for research design.

The challenge of clearly conceptualizing failure can be illustrated by two extracts from recently published articles on the topic:

> Views on failure in the U.S. range greatly, from the general tolerance of failure in Silicon Valley to the abhorrence of it on more conservative Wall Street. Despite increasing conversation around failure in both the popular and academic press (e.g. McGrath, 1999; Shepherd, 2003; Zacharakis et al., 1999), empirical study of this phenomenon is scarce. This is perhaps driven, at least in part, by unclear definitions of what failure is, and differing views on when failure is productive and when it is destructive (McGrath, 1999). Moreover, most studies fail to differentiate between failure of entrepreneurs and failure of their firms. (Cardon et al., 2011: 80)

> Further studies are needed to explore the timing of business failure and to consider the difficulties involved in defining business failure and success. Some outcomes can be unambiguously classed as failures or successes. However, others fall into a gray-zone of near-failure and near-success (Rerup, 2006). (Ucbasaran et al., 2010: 553)

We organize the results of our review based on two factors. The first focus is on the unit of analysis (e.g. firm or individual) that the conceptualization of failure focuses on followed by whether the criteria used to conceptualize failure are objective or subjective in nature.

*Objective firm-level criteria.* Shepherd and colleagues (Shepherd, 2003; Shepherd et al., 2000; Shepherd and Wiklund, 2006) suggest using insolvency as the defining criterion to capture failure. Specifically, they define failure occurring when a fall in revenues and/or a rise in expenses is of such a magnitude that the firm becomes insolvent and is unable to attract new funding. Consequently, the firm cannot continue to operate under the current ownership and management (Shepherd, 2003: 318). This conceptualization focuses on an objective financial event identifying a subset of firms which exit due to poor financial performance (Wennberg et al., 2010).

Bankruptcy or insolvency has been used in conceptual papers to theorize about the implications of firm failure for entrepreneurs (Shepherd, 2003; Shepherd et al., 2009; Shepherd and Haynie, 2011), to capture prior failure experience among serial and portfolio entrepreneurs (Ucbasaran et al., 2010), and more recently to empirically investigate emotional responses to firm failure (Byrne and Shepherd, 2013; Jenkins et al., 2014). The very nature of insolvency means that the firm cannot continue under current operations and management; thus, it is particularly relevant for investigating entrepreneur responses to failure as they must cope with the failure and its consequences (Shepherd and Haynie, 2011).

Given the objective criteria and firm-level focus, prior research has focused on the restructuring process as part of bankruptcy proceedings. Studies have focused on the success of different forms of restructuring (Betker, 1995) by comparing the performance of firms that have undergone restructuring with firms those that have not, finding that restructured firms usually perform worse after the restructuring compared to industry average (Hotchkiss et al., 2008). Most research on restructuring, however, has focused on relatively large (Thorburn, 2000) and/or publicly traded firms (Hotchkiss, 1995; Hotchkiss et al., 2008) where restructuring is a comparatively more frequent activity (Watson and Everett, 1996). Much less attention has been directed to what happens to the specific operations of smaller entrepreneurial bankrupt firms (Watson and Everett, 1996).

*Subjective firm-level criteria.* Subjective firm-level conceptualizations of entrepreneurial failure rely on the entrepreneur's assessment of firm performance at the time of exit (Gaskill et al., 1993; Headd, 2003). For example, in the study by Headd (2003), entrepreneurs were asked whether their firms were successful at the time of exit. This conceptualization has been used to estimate the failure rates of firms (Bates, 2005; Headd, 2003) as it can differentiate firms that were shut down due to poor performance from firms that were shut down due to other reasons. Within this conceptualization, firms that are underperforming or distressed would be included, even if they have yet to declare bankruptcy (Wennberg et al., 2010). Firms that have met their designed objectives but with poor performance might also be included here. For instance, DeTienne et al. (2014) find that some entrepreneurs have exit strategies that include 'voluntary cessation'; they suggest these firms are closed down when the primary activity or the purpose for which the firm was created has been achieved and the remaining firm assets are not worth further harvest. Many of these exits can be seen as 'positive' or 'negative' as they are at the choice of the entrepreneur (Bates, 2005), and therefore, be a subjective perspective of firm failure.

*Objective individual-level criteria.* Objective individual-level conceptualizations of failure rely on assessment of returns to human capital in alternative employment options. An entrepreneur ceases involvement in the firm if it fails to meet expectations relative to this benchmark. This conceptualization of failure is inspired by Gimeno et al.'s (1997) threshold performance theory, which states that an entrepreneur's human capital influences the minimum performance level they are willing to accept (McGrath, 1999). If performance falls below the minimum level, the entrepreneur exits the venture. Entrepreneurs with high levels of human capital are likely to have higher threshold levels given more attractive alternative uses for their skills and abilities. This implies that, given the same level of performance, one entrepreneur may view the firm as being successful while another may view the same firm as unsuccessful depending on the alternative uses of their human capital (Gimeno et al., 1997).

McGrath (1999) suggested one of the most commonly used criterion for this within an organizational setting based on the alternative uses of a firm's resources: 'failure is the termination of an initiative that has fallen short of its goals' (p.14). Ucbasaran et al. (2013) suggest using a similar criterion based on the entrepreneur ceasing involvement in a venture based on economic criteria. Business failure is explicitly defined as 'the cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the (founding) entrepreneur' (Ucbasaran et al., 2013: 26).

Using unmet expectations as the criterion for failure, prior research has compared habitual entrepreneurs who have experienced failure with entrepreneurs who have not experienced failure (Politis and Gabrielsson, 2009; Ucbasaran et al., 2010). For example, Ucbasaran et al. (2010) operationalized this concept of failure by asking respondents whether they had previously closed or sold a business because it had failed to meet their expectations. It was found that portfolio entrepreneurs who had experienced failure (both bankruptcy and failed expectations) were less likely to report comparative optimism in regards to the success of their venture as compared to novice entrepreneurs.

*Subjective individual-level criteria.* Recent case study research has focused on the personal hardships that failure can have on entrepreneurs and hence, conceptualize failure based on its impact (Cope, 2011; Singh et al., 2007). Although personal failure is not explicitly stated as the definition of failure, criteria that focus on the personal considerations and implications of failure are used for identifying potential respondents. For example, Singh et al. (2007) examine the personal financial and emotional challenges faced by the entrepreneur after business discontinuance. When conceptualizing failure and selecting cases, Cope (2011) identified respondents based on their potential to learn from the failure experience by focusing on the impact failure had on their lives. Whyley (1998) solely looked at entrepreneurs who had suffered financially because of the failure. In turn, these studies focused on how entrepreneurs responded, coped, and potentially recovered from firm failure. Thus, they use the personal impact of failure as the key benchmark for conceptualizing failure.

## Implications of definitions of failure

The four conceptualizations briefly reviewed make important contributions to the understanding of entrepreneurial failure. First, we discuss the scope of each conceptualization and how each contributes to the understanding of entrepreneurial failure. We do this by focusing on the fit between the criteria used to conceptualize failure, examples of relevant research questions, and the resulting sampling frame. As a starting point, it is important to note that the conceptualizations are not mutually exclusive and that there are likely to be some overlaps. For instance, it is plausible that an entrepreneur who experienced firm bankruptcy feels that the firm was a failure, they did not reach meet their own expectations, and also suffers personal loss (cf. Jenkins et al., 2014). This scenario would be classified as a failure under each conceptualization. However, there can also be the case that despite experiencing bankruptcy, the entrepreneur experiences limited financial and emotional loss (Jenkins et al., 2014). This scenario would be classified as a failure based on objective firm-level criteria but not based on subjective individual-level criteria. The intent of making these distinctions is on how these conceptualizations of failure have been presented in the literature and the implications of such, not trying to classify how entrepreneurs may view these conceptualizations.

When illustrating the importance of considering how failure is conceptualized, we focus on two areas of interest in entrepreneurial failure research – emotions and learning – and how the different failure conceptualizations suit research questions in these two areas. We include examples of theories that could be adopted in future research and discuss the unique knowledge that can be gained from using each conceptualization to support why failure should be viewed as a multi-faceted phenomenon. We then suggest other units of analysis where conceptualizing failure is relevant and other avenues for future research where clarity regarding the conceptualization of entrepreneurial failure is highly relevant.

As a starting point, we summarize the four categorizations discussed above into a $2 \times 2$ classification scheme. These categorizations are based on two factors: the level of analysis (firm or individual) and whether the definition is objective or subjective in nature. We include sample papers that have used each conceptualization for illustrative purposes, where there is a strong fit between the research questions and how failure is conceptualized. This classification scheme is shown in Figure 1.

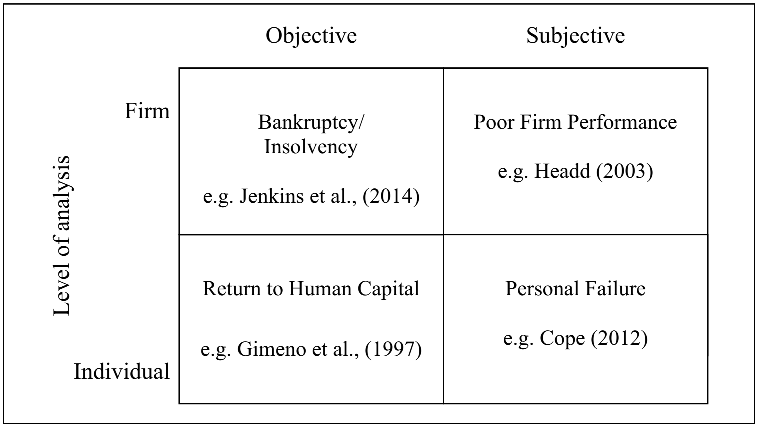


**Figure 1.** Classification schema – conceptualizations of entrepreneurial failure.

## *Firm-level objective criteria*

Conceptualizations based on firm-level objective criteria, such as bankruptcy or insolvency, are narrow in scope in regards to the financial performance of firms (they are all insolvent at the time of failure). The narrow scope means that many unprofitable firms (Stokes and Blackburn, 2002), firms that are barely breaking even, or not providing a reasonable return on time and resources (Watson and Everett, 1996), are excluded from this definition. Importantly, this definition does not assume that the individual has failed. This enables investigating why entrepreneurs might vary in their responses to firm failure. For example, there is room to investigate the factors that influence the extent firm failure is associated with negative outcomes for the entrepreneur, such as emotional strain and financial loss, and the extent that failure is associated with more positive outcomes, such as learning. In other words, firm-level objective criteria enable the investigation into variance in entrepreneur responses to firm failure and the implications this variance has on outcomes at the individual level. Thus, a relatively standardized and consistent definition of firm failure can be used to explain why there can be heterogeneous responses to this experience at the individual level.

With regard to investigating emotional responses to firm failure, theories from cognitive and social psychology that focus on explaining why individuals interpret and respond differently to seemingly similar experiences are particularly relevant. Appraisal theory is an example from social psychology, relevant in this context, to explain variance in emotional responses to failure (Jenkins et al., 2014). Attribution theory is also relevant (Weiner, 1985; Mantere et al., 2013). Exploring the role of psychological capital and resilience, for instance, can be another avenue for understanding differences in emotional responses to firm failure (Hayward et al., 2010). Psychological capital can help provide entrepreneurs with a buffer to protect them from negative emotions through its ability to restore confidence, hope, and optimism after stressful experiences (Luthans et al., 2006) and thus, can be used to understand variance in negative and positive emotional responses to failure. Psychological ownership (Pierce et al., 2001) could also be used to explain emotional responses to failure by relating the strength of the connection between the entrepreneur's identity, the performance of the firm, and their emotional response.

As the firm has failed, this conceptualization enables researchers to focus on learning outcomes that relate to better firm management (cf. Shepherd, 2003). Experiential learning theories (Boud et al., 1985; Kolb, 1984) are likely to be particularly relevant as they focus on learning from past experience. For example, critical reflection, a key process in learning from experience, has been found to be important when learning from significant events (Cope, 2003) and failure (Byrne and Shepherd, 2013). This suggests exploring the antecedents to and process of critical reflection to explain why only some entrepreneurs learn from failure. Hence, this conceptualization of failure can help explain when failure is a learning experience and when it is not.

### *Firm-level subjective criteria*

Subjective firm-level conceptualizations of entrepreneurial failure are based on the entrepreneur's assessment of performance at exit. Hence, these conceptualizations are less restrictive in regards to objective financial performance at exit. The broader scope means that unprofitable or underperforming firms that would be excluded when insolvency or bankruptcy are used as the criteria are included in this conceptualization. Firms that fail to meet objectives or have the potential for future harvest would also be included. This creates a comparatively heterogeneous sample in regards to financial performance at the time of exit. As the exit is not forced, there are opportunities to focus more on the extent that entrepreneurs planned their exit from the poorly performing firm, the timing of the exit, and how this influences their response to failure. It is also potentially important to examine what they do after failure, how other decisions leading failure can provide insights into the process and how entrepreneurs respond to failure.

Other particularly useful applications for using subjective conceptualizations at the firm level are research questions focusing upon entrepreneur views of entrepreneurial failure, what outcomes are considered failures, and the emotions and learning outcomes associated with these different views of failure. Rather than a predefined definition of failure, the focus of the research would be on the conditions and circumstances entrepreneurs determine as a failure. Such a focus directs researchers to an interpretivist approach offering a more nuanced understanding of how entrepreneurs experience failure.

### *Objective individual-level criteria*

Objective individual-level conceptualizations of failure rely on the entrepreneur's assessment of return to human capital in alternative employment options or predetermined benchmarks and goals. Consequently, the conceptualization is relatively broad in scope as it potentially captures objective firm failures such as bankruptcy, failures involving financial loss, and other cases where entrepreneurs perceive that they have failed relative to personal benchmarks and expectations despite the firm being profitable. For example, an entrepreneur may perceive a business as failing if it cannot generate sufficient income, even if profitable, and may exit the business (Gimeno et al., 1997). Hence, this definition assumes failure based on the personal perception of performance (i.e. individual level of analysis) but not necessarily failure at the firm level of analysis.

A consequence of this broad scope being that this conceptualization captures a heterogeneous sample of firms and entrepreneurs in terms of the extent of financial loss (at the firm and individual level) and the extent of emotional loss (at the individual level). This should be taken into consideration in research design. For example, given the breadth of potential individuals captured under this conceptualization, theories that try to explain heterogeneous responses to failure, such as appraisal theory, are less appropriate. Axiomatically, it would be difficult to determine whether the variance in responses to failure is due to differences in the nature of the failure experience itself or in how the experience is interpreted. A focus on unmet goals is particularly relevant for understanding what and how entrepreneurs learn from failure as learning from experience is often triggered by unmet goals or expectations (Cope, 2011) where the extent of goal discrepancy increases the extent of information processing, and hence potential learning (Kruglanski, 1996).

While prior research had emphasized that failure experience can be an important learning experience (Cope, 2011; Minniti and Bygrave, 2001), empirical findings have been limited (Frankish et al., 2013). One explanation for weak empirical findings being that failure is emotionally and financially difficult (Jenkins et al., 2014) which can make it challenging for entrepreneurs to process feedback information and learn from experience (Shepherd, 2003). Focusing on the extent of goal discrepancy can help provide a more nuanced understanding of when goal discrepancy acts as a stimulus or hindrance to learning. One theoretical framing that could be highly applicable for this is a social-cognitive approach to motivation (Dweck and Leggett, 1988) and personality as it focuses on the relationship between unmet goals, emotions, and learning (cf. Cardon and McGrath, 1999). Another relevant theoretical perspective is self-regulated learning (Schunk, 1990). This perspective would focus on the relationship between the goals entrepreneurs set, their own actions, and self-efficacy. Hence, the starting point with this conceptualization of failure is that it should be a learning experience; these approaches could focus on deviations from this as they acknowledge emotional responses to failure in the learning process.

As this conceptualization of failure focuses on the alternative options available, investigating what the entrepreneur does after failure and the wages earned in the alternative forms of employment can help to empirically validate this conceptualization. For example, labour economists have focused on the returns to human capital in waged work and self employment. Recent findings have found that entrepreneurs earn relatively lower incomes in waged work than similar others (Baptista et al., 2012) and that entrepreneurs who remain in self-employment generally experience higher returns on their formal education than comparable employees. This suggests that entrepreneurs who return to waged work after self-employment have exited poorly performing firms. Otherwise, it is likely that they would have remained in self-employment to attain a higher income rather than returning to a waged work penalty.

### *Subjective individual-level criteria*

In the case of using conceptualizations based on personal consequences and hardships due to failure, a relatively homogeneous sample of entrepreneurs can be captured in terms of financial and emotional impact. Given the focus on the negative impact of failure for the entrepreneur, relevant research questions focus on how entrepreneurs cope with failure and the effectiveness of different coping strategies. Coping theories (Hobfoll, 2002; Lazarus and Folkman, 1984), for example, can be used to understand this process. This contrasts with definitions that use objective financial criteria where there is variance in the extent to which entrepreneurs experience emotional suffering (Jenkins et al., 2014). Hence, definitions based on objective firm-level criteria are suitable for understanding the variance in emotional responses, while definitions based on personal failure are suitable for understanding how entrepreneurs who experience emotional loss cope with the experience.

Conceptualizations based on the experience of personal failure are particularly suitable for understanding personal growth (cf. Cope, 2011). One prerequisite for learning through personal growth is the experience of loss or hardship (Archer, 1999). Thus, longitudinal studies that focus on how entrepreneurs cope, recover, and experience personal development – a form of learning – are suitable here. The literature on grief and entrepreneurial failure provides a starting point for this approach (Shepherd, 2003).

A challenge associated with using personal failure to conceptualize entrepreneurial failure is that it is difficult to identify a relevant sample population as there are few datasets or publicly available information to capture what might be a relatively personal view on failure. Consequently, studies to date have often relied on friends and acquaintances reflecting on the challenge of using such a definition on a larger scale.

## *Additional levels of analysis and avenues for future research*

We have primarily addressed conceptualizations of failure at two different levels of analysis – individual and firm – as these have been the main focus in the extant research. However, there may be other levels of analysis where clarity regarding how failure is conceptualized can help inform research design, such as the opportunity and family levels.

For example, research questions examining what happens to the business opportunity after failure can provide insights into the conditions under which business opportunities are continued or abandoned. Many new firms face initial challenges and setbacks in pursuing their opportunity, where there is an iterative learning model that takes place to determine the value of an opportunity. Entrepreneurs may learn that the initial opportunity pursued is not as lucrative or feasible as initially thought; they might then abandon that opportunity and pursue another. In practitioner terms, this is often referred to as pivoting (Ries, 2011) where the focus is generally on the positive learning outcomes of such an activity. Furthermore, focusing on the opportunity as the unit of analysis also provides scope for examining how entrepreneurs use feedback to shape the opportunities they pursue. This level of analysis opens potentially new avenues for failure research and in particular, how feedback information informs learning. For instance, it highlights the temporal dimension in failure research and a potential focus on setbacks as a form of 'opportunity failure' in the entrepreneurship process. Examining setbacks might provide opportunities to learn from failure that is not as emotionally draining relative to other forms of failure. It might therefore, allow scholars to examine learning from failure without the cognitive challenges other forms of failure present. Inspiration for this line of research could be taken from three different streams of research. First, McGrath's (1999) real options reasoning, where the decision to continue to invest is made based only if the conditions are favorable, could provide a framework for analyzing the process of how entrepreneurs exploit opportunities. It might further encourage entrepreneurs to pursue multiple opportunities and value them as part of a bundle, not over commit to one opportunity, and seek feedback, learning, and refinements to the opportunity. Second, the literature on knowledge diffusion (Hoetker and Agarwal, 2007) after firm failure could inform this line of research to help inform which opportunities are worth continuing to exploit and which opportunities are not worth continuing to pursue. Finally, the literature on learning from project failure (Corbett et al., 2007) could provide a starting point for analyzing the process of learning from setbacks.

At the family level, there is increased understanding in the family business literature that families may own and run multiple firms simultaneously (cf. Sieger et al., 2011). Objective firm and individual views of failure may impact upon family relations as well as future entrepreneurial efforts (Shepherd, 2009). For example, one family member running a single firm within the family system may be shunned for having a bankrupt firm – and potentially damage the reputation of the family or portfolio of firms. Likewise, a family member viewing themselves as having failed the family may impact upon how that member engages in future family relationships and their own role within the family (or set of family firms) in the future (Aygören and Nordqvist, 2015). Because family members also often act as informal investors in an entrepreneur's firm, the impact of firm failure can extend to family members. For example, Singh et al. (2007) found that failure can coincide with divorce. Thus, extending the unit of analysis to the family can reveal the implications of entrepreneurial failure that extend beyond the entrepreneur.

Finally, for illustrative purposes, we predominately focused on research questions that are related to learning and emotions. However, there are certainly other perspectives that are germane to this discussion. For example, recent research is exploring the stigma that entrepreneurs can experience after failure (Simmons et al., 2013; Singh et al., 2015). How failure is conceptualized may be very closely linked to the stigma attached to failure. For instance, in differing ways, the stigma to an objective firm-level failure (e.g. a bankruptcy) may have serious negative implications for how society views entrepreneurs since it is a relatively public event (Cardon et al., 2011). This can have a significantly negative impact on the potential to re-enter entrepreneurship in the future (Simmons et al., 2013), how the entrepreneur views herself (Cardon et al., 2011), and the impression management strategies adopted to deal with the stigma of failure (Shepherd and Haynie, 2011). However, failure that is at an individual or subjective level may avoid much of the societal stigma and impression management, but may still have to address self-views. Including levels of analysis and the criteria used to determine failure (objective or subjective) to failure stigma research may be useful.

## Conclusion

In this article, we have focused on how different conceptualizations of entrepreneurial failure influence the sampling frames employed and types of research questions best answered within these conceptualizations. Our review found that entrepreneurial failure has been conceptualized using objective and subjective criteria at the firm-level and objective and subjective criteria at the individual level. These four categories of failure each have different implications. As such, to capture the different situations that can be conceptualized as a failure, we suggest that failure should be viewed as a multi-faceted phenomenon where there is scope for more than one conceptualization of failure.

We suggest that conceptualizations based on firm-level objective criteria are particularly relevant for understanding why there can be variance in how entrepreneurs respond to a seemingly similar failure experience. Conceptualizations based on individual-level subjective criteria provide greater understanding of what is interpreted as failure by entrepreneurs, while subjective individual conceptualizations provide a clearer picture of how failure can affect an entrepreneur and are relevant for understanding how entrepreneurs cope with failure. Finally, we suggest that investigating failure at the family level and opportunity level provides important avenues for future research.

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