

*This is a so-called personal version (author's manuscript as accepted for publishing after the review process but prior to final layout and copyediting) of the article:*

*Mantere, S., Aula, P., Schildt, H. and Vaara, E. 2013. Narrative attributions of entrepreneurial failure. Journal of Business Venturing, forthcoming.*

*Researchers are kindly asked to use the official publication in references.*

---

## **NARRATIVE ATTRIBUTIONS OF ENTREPRENEURIAL FAILURE**

Saku Mantere

Pekka Aula

Henri Schildt

and

Eero Vaara

## **ABSTRACT**

We examine how organizational stakeholders use narratives in their psychological processing of venture failure. We identify a range of “narrative attributions”, alternative accounts of failure that actors draw on to process the failure and their role in it. Our analysis provides a view of entrepreneurial failure as a complex social construction, as entrepreneurs, hired executives, employees and the media construct failure in distinctively different ways. Narratives provide means for both cognitive and emotional processing of failure through grief recovery and self-justification.

**Key words:** Failure, entrepreneurship, narrative, storytelling, attribution, grief, self-justification

## **1. EXECUTIVE SUMMARY**

In this paper, we seek to understand the failure of a business venture as a social construction by examining narratives produced by different key stakeholders. The literature on failure attribution is dominated by psychological studies (Vaara, 2002). While psychological factors do exhibit commonalities across social contexts, a narrative approach can shed light on entrepreneurship as a specific context for attribution. Although entrepreneurship scholars have long attended to the role narratives play in the conception and realization of entrepreneurial efforts (Czarniawska-Joerges and Wolff, 1991; Gartner, 2007; Hjort and Steyaert, 2004; Lounsbury and Glynn, 2001; Martens et al., 2007), research on entrepreneurial failure narratives was initiated only recently (see Cardon et al., 2011).

Narratives are culturally available means for making sense of and dealing with failure (Brown and Humphreys, 2003; Brown and Jones, 1998; Vaara, 2002). Since

explanations of failure are affected by the social role of the actors, the stakeholders within a venture – employees, hired executives, and entrepreneurs – can be expected to use different types of narratives to explain failure and cope with its implications. Such differences reveal important aspects of entrepreneurial ventures as a unique phenomenon in contemporary society. Our narrative approach provides a new perspective that augments existing, largely objectivist studies on organizational failure (see Mellahi and Wilkinson, 2004), and the failure of entrepreneurial ventures (Bruno et al., 1992; Dimov and De Clercq, 2006; Shepherd, 2003; Singh et al., 2007; Zacharakis et al., 1999).

We elaborate how narrative attributions express two psychological processes crucial for dealing with of entrepreneurial failure: namely, the emotional process of grief recovery (Shepherd, 2003; Shepherd and Cardon, 2009) and the cognitive process of self-justification (Staw, 1981; Aronson, 2011). Importantly, both of these processes involve far more complex attributions of failure than the self-serving attributions – i.e. primarily blaming others – that attribution theory would predict. Our analysis elucidates that entrepreneurial failure involves a variety of narrative types which serve specific functions in making sense of and coping with failure.

## **2. INTRODUCTION**

*Every tragedy could really start with the words: "Nothing would have happened, had it not been that..."*

*(Had he not got caught in the machine by the tip of his clothing?)*

*But surely that is a one-sided view of tragedy, to think of it merely as showing that an encounter can decide one's whole life.*

*- Ludwig Wittgenstein (1931), in 'Culture and Value'*

*Victory has a thousand fathers, but defeat is an orphan.*

*- John F. Kennedy*

Failure and entrepreneurship are natural siblings. Narrative theory allows us to understand the context of failure in entrepreneurial ventures by focusing on the discursive means which actors inside organizations use to attribute the causes of failure by drawing on a repertoire of commonly available, culturally embedded discursive resources (Brown and Humphreys, 2003; Brown and Jones, 1998; Vaara, 2002).

Narratives enable stakeholders to address the failure at an emotional and cognitive level (Shepherd, 2003; Shepherd & Cardon, 2009; Staw, 1981). They can be seen as a lynchpin between the psychological processing of failure and its social construction. They “provide simplified cause-effect accounts of puzzling, unexpected, dramatic, problematic, or exemplary events. Relying on widely available knowledge rather than technical expertise, they help to make the world intelligible.” (Tilly, 2006: 64).

In this paper, we analyze the narratives of multiple stakeholders as they explain the bankruptcies of three different IT startups. We examine how different organizational stakeholders establish the causes for the failure of the entrepreneurial venture. We complement intra-organizational data with media narratives in order to facilitate comparability to previous research on failure sensemaking in entrepreneurial contexts (Cardon et al., 2011). This allows us to identify seven generic types of narrative attributions: “Catharsis” (personal responsibility), “Hubris” (venture-wide responsibility), “Zeitgeist” (industry-wide responsibility), “Betrayal” (responsible agent inside the venture), “Nemesis” (responsible external agent), “Mechanistic” (uncontrollable non-human element within the venture), and “Fate” (uncontrollable non-human element external to the venture). Our analysis demonstrates that the role of different stakeholder indeed use distinct narrative types. Most strikingly, Catharsis

narratives are voiced almost solely by entrepreneurs; whereas Betrayal narratives are most common among hired executives.

### **3. THEORY REVIEW: NARRATIVE ATTRIBUTION IN THE PSYCHOLOGICAL PROCESSING OF FAILURE**

Attribution theory focuses on the cognitive biases that influence causal explanation of positive and negative outcomes (Heider, 1958; Kelley, 1971; Weiner, 1986). Management scholars have focused their attention particularly on the ‘self-serving attribution bias’ – the tendency of individuals to assume their own actions explain positive outcomes (‘internal attributions’), yet causes independent of their own agency (‘external attributions’) explain negative outcomes (for an overview, see Martinko et al., 2007; Rogoff et al., 2004). Some scholars have studied the effect of organizational performance on top management attributions (Bettman and Weitz, 1983; Ford, 1985; Gooding and Kinicki, 1995; Salancik and Meindl, 1984; Staw et al., 1983), while other scholars have concentrated on the opposite relation, that is, whether management attribution biases have an effect on organizational performance (Barr et al., 1992; Bowman, 1976; Clapham and Schwenk, 1991).

While attribution seems to play a role in failure explanations in organizational contexts in general, the attribution literature does not capture the specifics of the entrepreneurial condition. Even if attribution is driven by psychological considerations, explanations of failure are explicated in a social context through narratives that have to be plausible for both the narrator and the audience. Conventional attribution literature has largely ignored the positive attitudes toward past failure widely exhibited in entrepreneurial contexts retrospectively. A prime

example is the recently launched “International Day for Failure”, designed to celebrate entrepreneurial learning via failed endeavors<sup>1</sup>. Attribution of failures is important for entrepreneurship, because failures represent a potential source for learning and the outright denial of responsibility can inhibit learning from failure (Shepherd, 2003; Shepherd and Cardon, 2009).

### **3.1 Cognitive and Emotional Processing of Emotional Failure**

Entrepreneurial failure is an unexpected event that calls into question the prevailing beliefs that actors entertain about themselves, as well as their perceptions of themselves as competent entrepreneurs, executives, or professionals (Shepherd & Cardon, 2009). Failure also affects external perceptions towards organizational stakeholders (Dutton and Dukerich, 1991).

Entrepreneurial failure can be expected to involve two types of psychological processing. The first process is emotional in nature and deals with grief. Grief is an enduring emotional state arising from significant loss experiences and involves a number of different emotions (e.g., sadness, disappointment, guilt, shame; cf. Bonanno, Goorin and Coifman, 2008). Drawing on psychological evidence of grief recovery, Shepherd (2003) presents two strategies for processing entrepreneurial failure. Shepherd (2003: 323-324) proposes that rather than relying on one strategy, a combination of both strategies of processing grief is likely to facilitate both quicker recovery, as well as the more effective learning from the failure. Within the first strategy, *loss orientation*, recovery is based on experiencing the negative feelings attached to the loss. Within the second, *restoration orientation*, recovery is achieved

---

<sup>1</sup> <http://dayforfailure.com>

through a combination of “avoidance and proactiveness toward secondary sources of stress.” It is an active orientation wherein the loss itself is disregarded, with the intent of moving on (Shepherd, 2003: 322).

The second process is cognitive and deals with the use of self-justification strategies to maintain self-esteem and a coherent concept of the self at the face of cognitive dissonance (Aronson, 2011). The failure of a venture challenges positive beliefs central to an actor’s self-concept: beliefs of personal competence and autonomy, for instance (Shepherd & Cardon, 2009). Such challenges to one’s concept of self can be managed with two types of justification strategies (Aronson, 2011). The first, *internal justification strategy*, focuses on changing beliefs to compensate for the challenge. For instance, a driver might respond to an argument about global warming by changing his or her beliefs about global warming, downplaying its significance to safeguard the positive role that driving has in his or her life (Holland, Meertens & Van Vugt, 2002). The second, *external justification strategy*, downplays personal responsibility by deemphasizing the range or impact of the subject’s agency. For instance, the same driver might note that other people drive much more, or that his or her current work situation forces her to drive, as no other options exist (ibid.).

### **3.2 Narratives as Means for Constructing Failure**

Explanations of failure are socially constructed outcomes of sensemaking (Cardon et al., 2011). Retrospective sensemaking of entrepreneurial failures is achieved through narratives offered by various stakeholders (Weick, 1995). Narratives enable individuals to manage their individual perceptions of themselves (Ibarra and Barbulescu, 2010; Watson, 2009) in addition to the external image and interpretation of past actions (Lounsbury and Glynn, 2001; Martens et al., 2007; O’Connor, 2002, 2004). The use of narratives seems likely to differ across social groups. Not only do

different stakeholders of a failed venture face distinct emotional and cognitive needs, but they also conform to different social expectations concerning the narratives they formulate. Thus, the narratives that entrepreneurs, staff members, and business media representatives provide regarding failed ventures are likely to be systematically different in form and content (Cardon et al., 2011).

In this paper, we use the concept '*narrative attribution*' to indicate a focused explanation for failure offered by an actor that coincides with his or her overall narrative account. Building on Tilly's (2006) definition of narrative as a specific type of causal account, we define narrative attributions as brief and coherent explanations for failure that often exist embedded within longer accounts. This means that *a single story* of an entrepreneurial failure – be it in the form of a research interview, a newspaper article, or a tale told over a pint of ale – *will be likely to contain multiple narrative attributions* (Polkinghorne, 1988). Even at the level of an individual, organizational narratives are often incomplete, complex and ambiguous (Boje, 1991).

Narrative literature on failure suggests that attributions are constructed in accounts by using discursive resources, embedded in cultural context (Vaara, 2002). Thus, a complex recursive relationship exists between psychological and discursive views of failure accounts: emotional and cognitive processes motivate discursive accounts, but actors rely on available discursive resources to express and deal with emotional and cognitive issues.

The narrative literature emphasizes that the stories actors tell tend to conform loosely to culturally prominent 'narrative types' or 'plotlines'. This suggests that accounts of failure provided by various actors are confined to different variations of a limited repertoire of narrative attributions. Classical narrative theory has identified a limited number of generic plotlines, repeated across individual stories (Greimas, 1983; Propp,

1928/2000), and organizational research has identified how particular narrative types are used in specific contexts (Gabriel, 2000; Lamberg and Pajunen, 2005). For example, Brown and Jones (1998) outline two common narrative types that help narrators reject responsibility for project failures: inevitability (fate) and conspiracy (malignant others), while Brown & Humphreys (2003) explored tragic and epic tales associated with a merger outcome.

### **3.3 Research questions**

Psychological research suggests that entrepreneurs and other stakeholders use strategies of grief recovery and self-justification to make sense of entrepreneurial failures. Narrative literature suggests that these attributions are expressed using a ready repertoire of culturally embedded plotlines. Examining the failure narratives will enable us to understand how the psychological processing of different stakeholders gives rise to different accounts of entrepreneurial failure. Importantly, by attending to the narratives of a broader set of venture stakeholders commonly ignored in prior research, we can identify aspects of failure attributions specific to the context of entrepreneurial ventures.

The research questions for our qualitative inductive analysis are as follows:

*Research Question 1: What kinds of narratives do entrepreneurs, hired executives, staff, and the media use to attribute for failure?*

*Research Question 2: How do different stakeholders use these narratives in their processing of entrepreneurial failure?*

## **4. DATA, METHOD AND CONTEXT**

Since research on the narratives of entrepreneurial failure has commenced only recently (Cardon et al., 2011), our objective was to *build theory* through intensive

cross-case analysis (Lee et al., 1999). In order to capture the narrative attributions following a failed venture, we contacted a comprehensive number of former entrepreneurs, managers, and employees affiliated with three failed case organizations. While it could be expected that gaining access to frank inside views of failed ventures would prove difficult, the Nordic business context, characterized by low power distance and an informal communications culture, allowed us to conduct extensive interviews of several individuals' perceptions of failure. This context helped us gather a unique and rich data set of failure narratives related to three specific firms.

Our design is based on multiple cases, as they can lead to the discovery of not only novel constructs, but also theoretical advances through triangulation with multiple data sources (Crossan and Berdrow, 2003; Eisenhardt, 1989). We aim at theoretical, authentic and credible generalizations (Alvesson and Deetz, 2000; Yin, 1981). In a multiple-case setting, such 'analytical' generalizability is strengthened through pattern-matching between the cases, increasing confidence in the robustness of the theory generated (Eisenhardt, 1989; Yin, 1994). Between our three case organizations, there was a clearly recognizable 'pattern-match' in the organization's origins, growth, management, and overall evolution, as will be shown in their failure narratives.

#### **4.1 Cases**

We selected the first wave of new media companies at the turn of the millennium as our context for studying failure (Table 1). This timeframe acted as a "critical case" (Patton, 2002: 236-237), where great expectations were followed by profound disappointments. We regarded the era as appropriate, as the aftermath of the collapse of the IT bubble was an era of intense self-examination and image work.

We set three criteria for our selection of the case companies. First, we selected firms that had gone bankrupt before they had become self-sustaining. Second, we selected startups with a strong growth orientation. The organizations we analyzed had their origins in Northern Europe, but all had worldwide operations and all offered their products to a global marketplace. All experienced rapid growth, as measured by the capital gathered, the increase in the number of personnel, and internationalization. Third, we chose firms that succeeded in gathering notable amounts of venture capital investment. All of the firms had a novel, plausible and financially attractive business idea. They had managed to write compelling business plans and had considered their strategy content carefully. In other words, they had promise (Bhidé, 2000).

Establishing promise is a crucial aim of storytelling in order to secure the funding needed to launch operations in an enterprise (Lounsbury and Glynn, 2001; Martens et al., 2007; O'Connor, 2002, 2004). The firms were desired investment targets and enjoyed the patronage of wealthy business angels and venture capitalist. The firms were also 'celebrities' (Pfarrer et al., 2010; Rindova et al., 2006), as they all enjoyed wide and favorable international media coverage. For example, in the year 2000, *Time* ranked one of the companies on its list of the 50 most promising IT companies in Europe. During the same year, the *Wall Street Journal* interviewed venture capitalists, who named another of the firms one of the 50 most admired investment targets in the world. These criteria allowed us to focus on companies in which the bankruptcy was highly likely to have been regarded as a failure, due to them not living up to their considerable expectations.

#### ***4.1.1 MobGame (2000-2002)***

The mobile gaming company MobGame<sup>2</sup> was founded at the beginning of 2000, when the IT market, 'the new economy', was at its peak. The company attracted substantial venture capital right after its founding and recruited staff rapidly; the personnel numbered over 40 in two weeks, and by the summer of 2000, MobGame employed over 60 people. A successful second investment round took place between June and September 2000, and the number of personnel exceeded one hundred. In October 2000, the CEO announced that the company would start to prepare an Initial Public Offering (IPO). The company started to internationalize and established offices in London, Berlin, Paris, Rome, Singapore and Los Angeles. Also, the firm forged partnerships with major global entertainment companies, including Hollywood. MobGame's growth started to decelerate in the summer of 2001. The company's cost structure was untenable and the capital markets were more hostile than they had been just a few months earlier. MobGame's management let go of a number of employees to create a healthier cost structure in preparation for a necessary third round of investment, which failed. Business operations came to an end in the spring of 2002, after two and a half years.

#### ***4.1.2 Mobile (1998-2001)***

A new media company called Mobile was founded in 1998. At the time, its business idea – mobile Internet services – was original and for this reason it received international recognition. Mobile's valuation started to grow swiftly, and it was soon listed in a *Wall Street Journal* ranking as one of the most admired investment targets.

---

<sup>2</sup> The names of all three case companies have been altered.

In 2000, Mobile's chat service was the first mobile chat installation in the UK and Asia. However, rapid growth led to problems and Mobile began to arrange a second investment round in the summer of 2000. The first doubts about the viability of mobile Internet started to emerge in the autumn of 2000. Mobile downgraded its valuation in order to generate new funding. The summer of 2001 started with an email announcing to key stakeholders that Mobile was about to go bankrupt. Only a month earlier Mobile had denied all the rumours concerning the company's insolvency.

#### ***4.1.3 YYZMedia (1999-2001)***

The web-based media agency YYZmedia was founded in 1999 and its operations were launched in the spring of 2000. The business idea was to change the business logic of conventional media agencies and media marketing both nationally and internationally. The company quickly gained the attention of venture capitalists and the first venture capitalist came in before summer 2000. The amount of personnel doubled within a few months and the first overseas office was established. The year 2001 began with a series of problems. The development of YYZMedia's main product, the media system, was delayed due to the problems of a subcontractor. A key investor urged the company to refocus its core business around traditional media marketing, departing from the original business idea. Negotiations on a further round of investment came to a halt in the beginning of March 2001, and the company was forced to cut costs. The remaining investors withdrew their investments and the last employees were laid off. A bankruptcy petition was filed in October 2001.

## **4.2 Data**

We collected a data set containing informants from both within and outside the organizations. We conducted interviews with entrepreneurs, hired executives and

personnel from all three start-ups. The thematic interview outline remained the same for all three case organizations. However, the interviewer allowed the interviewees to depart from the outline and posed ad hoc questions when relevant topics were raised. This was done to assure the free flow of storytelling (Czarniawska, 2004). Altogether, 18 interviews were conducted. Each interview lasted from two to three hours and was transcribed verbatim. The length of the interviews helped us establish a certain level of trust with the informants, which helped us address the potentially painful and sensitive issue of entrepreneurial failure.

Table 1. Description of case-companies and data

| <b>Company</b>  | <b>Est.</b> | <b>Bankruptcy</b> | <b>Business</b>                                 | <b>Peak number of staff</b> | <b>Peak valuation</b> | <b>Media texts (N)</b> | <b>Period of media data</b> | <b>Interviews (N)</b>   |
|-----------------|-------------|-------------------|---|-----------------------------|-----------------------|------------------------|-----------------------------|---|
| <b>YYZmedia</b> | 1999        | 2001              | IT systems for media and advertising            | 30                          | 60 M€                 | 32                     | 11.5.2000 – 19.10.2007      | 2 entrepreneurs<br>1 hired executive<br>3 members of the personnel  |
| <b>MobGame</b>  | 2000        | 2002              | Mobile entertainment and games                  | 100+                        | 45 M€                 | 115                    | 19.4.2000 – 19.10.2007      | 2 entrepreneurs<br>2 hired executives<br>2 members of the personnel |
| <b>Mobile</b>   | 1998        | 2001              | Mobile technology, middleware, and applications | 110                         | 83 M€                 | 79                     | 19.4.1999 – 19.10.2007      | 1 entrepreneur<br>1 hired executive<br>4 members of the personnel   |
| <b>Total</b>    |             |                   |   |                             |                       | 226                    |                             | 18  |

In addition to analyzing the insider perspective, we wanted to understand the narratives created by the media, as the media plays a highly influential role in the institutionalization of particular views of organizational failure (Cardon et al., 2011; Vaara, 2002). Media texts during and after the lifespan of the three organizations were collected. Media content was demarcated to online services of the print media. We collected the media data from both national (Finnish) and international sources. The national media data were collected from the online full-text media services provided by the leading media corporations (including a leading national daily, major business and IT newspapers and magazines, and the main national news agency). International data were collected through the electronic Proquest full-text database, which contains full coverage of a number of leading international business magazines and newspapers, such as the *Economist*, *Wall Street Journal* and *Financial Times*. An online search was conducted to pinpoint each article in the identified media containing the name of one of the three companies. The names of the key persons (e.g., entrepreneurs) or key products were also used in further searches. To delimit the data set, the articles in which the companies were mentioned only by their name (e.g., news items about nominations) were deleted. The resulting number of analyzed articles was 226.

### **4.3 Analysis**

We pursued a grounded theory design in our analysis of the data (Strauss and Corbin, 1990). Our analysis proceeded in three primary stages. In the first stage, we extracted failure attributions from the data set. In the second stage, we classified the main attribution types within the failure stories. In the third stage, we identified the key narrative attribution types that were used to make sense of the failure.

#### ***4.3.1 Stage 1: Extracting failure attributions***

We began with what Strauss & Corbin (1990) call ‘microanalysis.’ Microanalysis involves a detailed reading of all the data in an effort to identify segments of text relevant to the research problem at hand. In our case, microanalysis focused on identifying failure attributions, that is, accounts of failure involving causal explanations of why the business failed, or why an event the interviewee felt contributed to the ultimate failure took place. The first and second author conducted microanalysis in isolation, eventually sharing their findings. After reviewing each quotation from the text, they decided on a cache of 505 attributions, ranging from a few sentences to roughly a page in length.

#### ***4.3.2 Stage 2: Inductive analysis of attributions***

We continued by conducting what Strauss and Corbin call ‘open coding.’ This involved creating a large set of codes that classified the 505 failure attributions. The first and second author again conducted this stage independently. Using *Atlas.ti* software in the coding, the attributions were analyzed on the basis of the reason given for the failure: wrong choices, bad judgment, bad luck, lack of commitment, and so on.

The role of independent coding between the first two authors in the open coding stage was not only to better capture all the failure narratives within the data, but also to develop a richer interpretation of them. We compared the quotations the two coders had selected as failure narratives and resolved any disagreements between them. We also discussed the differences in the categories derived by the two coders and synthesized a common categorization that would encompass the richness contained in the two coding schemes.

On the basis of the two coders' inductively derived schemas, all four authors proceeded to what Strauss and Corbin call 'axial coding,' that is, we grouped the large set of codes under increasingly general theoretical categories. We found that the attributions could be categorized into groups of *internal attributions*, where the informant accepted responsibility, and *external attributions*, where they assigned responsibility to a cause outside their own agency. On the other hand, we found that the failure narratives could be categorized to reasons within, or external to, the boundary of the organization.

We found that the coding could be further elaborated in both categories. Some of the internal attributions were *personal*, where the informant accepted responsibility as an individual, while in other attributions responsibility was accepted *collectively*, as a member of a social unity. Furthermore, within the group of external attributions, a meaningful distinction could be drawn between those accounts where a specific actor was named as a cause, and those accounts where the cause was non-human in nature. The descriptive statistics, as reported in Table 2 below, show dramatic differences between the attributions across different stakeholder groups.

#### ***4.3.3 Stage 3: Narrative attribution types***

The second analysis stage gave us an overview of the attribution types as central themes of the accounts, but did not provide answers to crucial questions concerning the narrative types that were used to make sense of failure: What was the content of the narratives? What purposes did a particular attribution serve for the entrepreneur, the media or the personnel? A closer narrative analysis allowed us to identify specific narrative types that were employed in the text to achieve the different attributions (elaborated in Table 2). In analyzing the narratives, we focused on identifying narrative causes that structured the accounts (Bruner, 1991; Polkinghorne, 1988;

Tilly, 2006). As is to be expected in speech and media texts (Bakhtin, 1981), the narrative structures were accomplished with classical devices employed in tragic storytelling (Kauffman, 1968): we found characteristic elements of catharsis, fate, hubris and so on.

While the original categories were inductively identified, we next related their content to existing narrative literature in our analysis. When appropriate, we drew on the narrative theory vocabulary to name our inductive categories. The seven types of narrative attributions recurred in the narratives of specific actors across the cases. The types were not specific to particular individuals nor were the individual accounts limited to a particular narrative attribution; that is, we observed all types of narrative attributions dispersed across the texts, yet individual texts could seldom be reduced to a single narrative attribution. While the media texts were often more straightforward in their narrative structures, the interviews in particular contained a complex conglomeration of different types.

## **5. FAILURE ATTRIBUTIONS IN NARRATIVES OF ENTREPRENEURIAL FAILURE**

Our first research question challenges us to explore what kinds of narratives entrepreneurs, hired executives, staff, and the media use to attribute for failure? Table 2 provides a summary of seven types of narrative attributions. The seven narrative attribution types reported here track the wealth of options for narrating the failure of an enterprise. The Table shows that narrative attributions did not systematically reject responsibility through external attribution, but rather the actors used several internal attributions to accept responsibility for the failure personally or collectively. The Table also reports descriptive statistics on how the use of the seven types of narrative attribution is distributed between these informant sources. The Catharsis narrative is

shown to be the property of the entrepreneurs, whereas the Betrayal narrative dominates the attributions of hired executives. While critical towards the founders, the staff are more lenient in their acceptance of extra-organizational explanations for the failure. It would thus seem that self-serving bias predicts the accounts of hired executives and the staff fairly well, but the entrepreneurs run against this prediction. This is explained by the different social purposes that the narrative attributions play for the members of these groups.

The narratives generate very different interpretations of the failure. The Catharsis narrative arouses sympathy for the penitent and reborn entrepreneur, ready to turn the page. The same applies to the Hubris narrative, albeit to a lesser degree. The Betrayal narrative condemns the entrepreneurs for their actions and/or incompetence whilst the Mechanistic narrative espouses the unpredictability and meaninglessness in a seasoned, world-weary fashion. The Zeitgeist and Fate narratives rebut in different ways attributions of blame by depicting the failed enterprise as a child of its time, a casualty of history. As it involves the admitting of the folly of one's actions, the use of the Zeitgeist narrative allows the informant to show an element of learning and growth, while the Fate narrative does not. Finally, the Nemesis narrative also rids organizational members of potential blame and simultaneously attributes it outside the agency of organizational members.

Table 2. An overview of types of narratives attributions identified by the empirical analysis<sup>3</sup>

|                             | INTERNAL ATTRIBUTION   |   | EXTERNAL ATTRIBUTION  |   |
|-----------------------------|--|---|---|---|
|                             | Personal responsibility  | Collective responsibility   | Other human(s)  | Non-human cause   |
| <b>INTRA-ORGANIZATIONAL</b> | <b>Catharsis</b><br>Accepting personal responsibility for failure and learning from one's mistakes | <b>Hubris</b><br>Accepting collective responsibility by admitting complicity in a collective folly          | <b>Betrayal</b><br>Blaming others within the organization (here: the entrepreneurs) for the failure | <b>Mechanistic</b><br>Objectifying failure to a non-material source: abstract organization, business idea, corporate person |
| <b>Entrepreneurs</b>        | 21.7 % (N=19)  | 43.1 % (N=44)   | 0.0 % (N=0)   | 1.5 % (N=2)   |
| <b>Hired executives</b>     | 2.5 % (N= 2)   | 16.6 % (N=21)   | 67.4 % (N=89)   | 1.5 % (N=4)   |
| <b>Staff</b>                | 0.9 % (N=2)  | 17.0 % (N=36)   | 48.8 % (N=102)  | 4.8 % (N=14)  |
| <b>Media</b>                | 0.0 % (N=0)  | 0.0 % (N=0)   | 27.0 % (N=20)   | 23.0 % (N=7)  |
| <b>EXTRA-ORGANIZATIONAL</b> | <b>N/A</b>   | <b>Zeitgeist</b><br>Subsuming collective folly to commonly accepted ways of acting and thinking at the time | <b>Nemesis</b><br>Blaming others external to the organization (here: the investors) for the failure | <b>Fate</b><br>Denying that the failure could have been averted and blaming the hand of fate                                |
| <b>Entrepreneurs</b>        |  | 4.1 % (N=3)   | 17.4 % (N=19)   | 12.2 % (N=10)   |
| <b>Hired executives</b>     |  | 2.8 % (N=4)   | 8.2 % (N=9)   | 1.1 % (N=2)   |
| <b>Staff</b>                |  | 6.8 % (N=11)  | 16.1 % (N=29)   | 5.8 % (N=10)  |
| <b>Media</b>                |  | 12.2 % (N=9)  | 18.9 % (N=14)   | 18.9 % (N=14)   |

<sup>3</sup> The percentage frequencies have been normalized at the level of each interviewee. We first calculated the relative frequency of each attribution for each person and averaged the percentages across each group in order to prevent particularly talkative interviewees from dominating the sample. Each informant offered between 12 and 65 narrative attributions in their interview.

## 5.1 Catharsis

*I got a business education worth 21 million because [of MobGame]. – Entrepreneur, MobGame*

The first category from our inductive analysis accepts personal responsibility for the failure and portrays the failure episode as a learning experience. In Catharsis narratives, the narrator attributed failure to his or her own actions, but simultaneously distanced the responsible former self from the contemporary improved self that has learned from the failure. This type of narrative was specific to the entrepreneurs, who used it to process their failure to lead the firm to the realization of its business idea.

*The problems [contributing to the failure] were caused solely by bad decisions made by myself and [another entrepreneur], because quite simply we were the ones who made all the decisions as major owners of the firm. – Entrepreneur and CEO, YYZMedia*

The Catharsis narrative would seem to go against the conventional view (Bettman and Weitz, 1983; Gooding and Kinicki, 1995; Staw et al., 1983) that organizational actors blame poor performance on ‘the weather’ (Bowman, 1976). The Catharsis narrative allowed the narrators to make sense of their own involvement in the firm’s failure to realize its potential. It enabled the actors to argue that they had learned from the failures that they acknowledged (Ibarra, 1999; Ibarra and Barbulescu, 2010; Watson, 2009).

*People started leaving, because they foresaw what was going to happen [...] I put my head in the bushes. I just didn’t want to accept the reality we were facing. – Entrepreneur, YYZMedia*

In narrative theory, ‘catharsis’ involves suffering which leads to eventual rebirth (Aristotle, 1994-2000). The narrative attributions that accepted personal responsibility were truly ‘cathartic’ in this sense because the narrators were able to liberate their current selves from the negative emotional burden of guilt and shame. It was characteristic to the Catharsis accounts that the entrepreneurs ‘knew better now’.

Moreover, failure due to inexperience was commonly portrayed as an inevitable stage in the growth process of becoming a proper entrepreneur. They distance their current selves from their old selves, portraying a personal ‘rebirth’ as new, more experienced decision makers. The Catharsis narrative thus presents a view that is resonant with literature on the emotional capability of entrepreneurs to learn from failure (Shepherd, 2003; Shepherd and Cardon, 2009).

*I have learned to value restraint. Take your time, take it cool. There are times for fast action, when you need to sprint, but you can run with restraint. – Entrepreneur, MobGame*

*I will never again be fixated on being first in a market that does not exist. Never be first in a market. Let others make the early mistakes and join in when you know that there is a market in place. – Entrepreneur, Mobile*

## **5.2 Hubris**

*We should have learned how to walk before we tried to fly... – Entrepreneur, MobGame*

Through our grounded analysis of narratives told by the actors, we were able to identify a category of collective responsibility that has not been identified in the context of entrepreneurial attributions. Rather than rejecting or accepting blame personally, we observed actors who would elaborate retrospective narratives where irrational behavior was attributed to collective hubris within the venture. Hubris is a form of socially constructed, collective over-confidence, characteristically exhibited by the founders of a venture (Hayward, Shepherd & Griffin, 2006).

As narrative attributions of failure, Hubris explanations simultaneously accept the causal influence of the narrators’ actions on the failure, while essentially rejecting or mitigating their personal responsibility. Social psychological literature has noted the existence of collective attributions. This literature suggests that group-level attributions are linked with social identification, and that group members are prone to a “group-serving bias”, where they attribute the agency of their group in ways which

resemble a self-serving bias: failures are likely to be attributed to extra-group forces, while successes are attributed to group agency (Heine and Lehman, 1997; Kowalski and Wolfe, 1994; Moussavi and Evans, 1993; Naquin and Tynan, 2003).

The Hubris narrative shows an unexplored side of group attributions. Rather than exhibiting group-serving bias, the Hubris narrative is used to *accept* responsibility at a collective level. Entrepreneurs used these narrative attributions characteristically, but it was also a way for other organizational members to process their part in the collective agency that brought about the company's downfall.

*I've always thought of myself as a pretty realistic guy, my two feet always on solid ground. It's funny how, when you join a firm like [Mobile], you kind of join the parade. – Staff member, Mobile*

*Maybe the personnel should have taken charge and addressed the unrealistic targets on a wider front. – Staff member, YYZMedia*

In classical narratives, hubris is defined as a tragic hero's sinful expression of pride – eventually leading to the hero's downfall. In classic Greek tragedies, an act of hubris is avenged by the gods or the cruel hand of fate (Kauffman, 1968). In our context, hubris attributions are characterized by the expression: 'too much, too soon.' All three companies were champions of a trendy, novel way of conducting business. They gained large sums of eager investment. This made them lose sight of everyday realities.

*We had three guys [---] who set out on a quest to conquer the world. – Entrepreneur, YYZMedia*

*Some of our internationalization plans ... they were extravagant – to put it mildly! You could say that they were over the top. We managed to start an office in [another European city]. And we had a consultant who was mapping the possibilities of going to multiple other places in Europe.*

*Question: So you were going to expand much more than you were able to before the end.*

*Answer: Yes, yes, yes! – Entrepreneur, YYZmedia*

*We started to hire people for pretty weird jobs [after the first successful round of investment]. You notice that nobody has taken out the trash in two days so you hire somebody to take out the trash. – Hired executive, Mobile*

### **5.3 Betrayal**

*The top management's [entrepreneurs'] incompetence is the reason [MobGame] does not exist anymore. – Personnel member, MobGame*

The Betrayal narratives attribute blame to internal actors. The focus was almost exclusively on the entrepreneurs who chose to lead their companies to their eventual downfall. Such narratives were characteristically accusatory in nature. However, the actors responsible were not always portrayed as malign or intentionally evil. In many cases, the culprits betrayed the expectations of the narrators due to their incompetence.

*I don't really want to disparage them as people, but our founders, as representatives of the media business, they are cocktail party characters. They thrive in the party environment, making deals without making any decisions. [--] What you do and when, at what time, on what day, and when should you be ready? These guys, they don't care about details like that. – Hired technology executive, YYZMedia*

*The CEO never saw to it that the different units would all row in the same direction. – Hired executive, Mobile*

*If the top management had been leading instead of envisioning, we wouldn't have had eight firms within the firm. – Personnel member, Mobile*

In all three cases, although in somewhat different ways, the entrepreneurs' managerial inexperience and unprofessionalism was lamented as the cause of many problems. In MobGame's case, the critique was often harder, questioning the very ethics of the entrepreneurs, as they hired friends and relatives, practiced and encouraged excessive spending, left the company like 'rats from a sinking ship,' and even founded a new company before announcing the bankruptcy.

*In my opinion, the management had no role in creating the fighting spirit needed to keep the company going. [---] the founders were off founding new companies while the employees were still trying to save the old one [MobGame]. That, I*

*think, is an act so cowardly that I will never be able to forgive them for it. – Employee, MobGame*

Interestingly enough, the relationship between the entrepreneurs and the other organizational members appeared asymmetric: the entrepreneurs rarely blamed their personnel; yet the personnel, and in particular the hired executives, blamed the entrepreneurs. The Betrayal narrative characterized more than two thirds of the hired executives' attributions, and roughly a half of the personnel, yet none were found in the entrepreneurs' accounts. There were passing comments about personnel problems such as the following in MobGame: *'We were too forgiving with personnel who made mistakes, always turning the other cheek [...] You should not work with assholes, that's a simple rule.'* However, in the above case as well as in other similar ones, the entrepreneurs assumed responsibility for hiring the problem people, framing the problems as results of their own bad choices or lack of resolve to make the required layoffs or good recruitment decisions.

*I cannot really blame the personnel [...] Maybe they should've had a more mature attitude to their work. But in the end, if you take a bunch of sheep in the forest, you should blame the shepherd if something goes wrong. – Hired executive, MobGame*

#### **5.4 Mechanistic**

*One person was chopping wood while the other was selling coffee pots, without any understanding of what the other was doing. That was the organization that we had. – Staff member, Mobile*

Organizational, non-human narrative attributions are an interesting class of attribution, in which no one seems to control the outcome of organizational failure, and the causes are traced back to the organization itself instead. This view resonates with Gareth Morgan's mechanistic image of the organization (Morgan, 1986), which conceives the organization as a complex and interconnected technological system (Mantere and Vaara, 2008). All three of our case organizations were presented to have grown out of their leaders' control and thus attained a life of their own. While in many cases the cause for the resulting

problems was traced back to the organizational decision makers, in some cases, the organization itself was presented as the source of problems.

The Mechanistic genre was evoked in order to convey a certain sense of robustness in the narrator's character in the face of the tragedy, as well as to contest the worth of the entire ordeal. To acknowledge one's smallness in the face of grand and unexplained events shows inner strength, a seasoned and worldly-wise attitude. As such, it can be used in a manner similar to classical tragedy to avoid responsibility. Yet it is also an antidote to the glorifying aspects of the epic and tragic genres, as it contests the ultimate moral of the failure narrative. Such narrative attributions find resonance in the absurd genre of the Modernist narrative, which depicts a tragic outcome as meaningless, rather than purifying or cathartic. This development which was in many ways crystallized in the work of 20<sup>th</sup> century modernist authors such as Brecht and Camus, who birthed "the absurd hero," who "embraces his endless torment in magnificent lucidity, undeceived by hope, undestroyed by despair" (Poole, 2005: 80).

*In fact, MobGame's is not much of a story. It is in no way an entertaining story. In any good story, you need to have a nemesis, a 'devil.' [...] We did not have an evil investor, we did not have cruel [partners], we don't have a CEO with blood in his hands, we don't have crappy personnel [...] It is more like a constant downward spiral from beginning to end. [---] There was no happy or sad ending. In fact, the ending was rather boring. – Entrepreneur, MobGame*

## **5.5 Zeitgeist**

*In those days, even taxi drivers gave investment advice about quick wins [...] Soon, all this will be forgotten and investors will be carrying truckloads of money to hot firms again. – Entrepreneur, Mobile*

The Zeitgeist narrative acknowledges the limited rationality or even foolishness of one's actions in retrospect, yet traces the cause for the actions to the spirit of the age. This allows for simultaneously accepting the role of one's agency in causing the failure whilst subsuming the failure to commonly accepted practice. The spirit of the age can be faulted, but only in hindsight.

*In that day and age you were supposed to produce everything for everybody. That's what the investors wanted. That's what the customers wanted to see in a firm. Even though an operator may have only wanted to buy a Chat-service from us, they still wanted to buy it from a firm that they believed produced everything. – Operative personnel member, Mobile*

*[Mobile] did do some crazy, stupid things. But so did everybody else at the time. – Personnel member, Mobile*

The spirit of the age primarily affected the companies in terms of their unrealistic expectations and uncontrolled growth. Yet this was a common view of how the heroic entrepreneur was expected to act. The Zeitgeist narrative invokes the spirit of: “he who is without sin may cast the first stone”; it would be unfair to blame brave individuals for the folly of an entire generation.

*We went to [an investment bank] and said with a straight face: "This firm is three months old and we are worth [20 M€]." And believe me, they did not think this was funny at all. – Entrepreneur interview, YYZMedia*

*[Mobile's] bankruptcy is a sad story, but it teaches something. It shows that new media entrepreneurship is not any easier than any other kind. The same rules of business apply: income must meet the costs. – Business magazine article on Mobile's bankruptcy*

## **5.6 Nemesis**

The nemesis is an enemy that plots a hero's downfall. Characteristic culprits are often the investors, who often had a strong presence in the organizational decision-making. Entrepreneurs in particular blamed the investors for urging the firms to grow far too rapidly, thus sidetracking them from realizing their business idea. The investors were accused of cutting the company down before its time, either by denying further funding (in the cases of Mobile and MobGame) or by forcing the firm to file for bankruptcy (YYZmedia).

*Capital investors renowned for the depth of their pockets have begun to show a fouler attitude this week with the news of [Mobile] going bankrupt... – A business daily*

*[Mobile] would have been self-sustainable in three months [...] But the board members were personally accountable. They just wouldn't take the risk.” – Entrepreneur, Mobile*

*We started out as a firm of 10-20 people, self-sustaining. Then the investors came... – Staff member, Mobile*

*A small-scale operation soon ran amok when risk investors joined in. – Business magazine article on Mobile's bankruptcy*

YYZmedia had two kinds of nemesis: a major investor and a subcontractor. Friends turned into foe, ‘helpers’ turned out to be ‘opponents’ (Greimas, 1983). The key opponent turned out to be their main investor, who was understood to have lured and pushed the company to stray from the main business idea of developing software towards becoming a more traditional media agency. Just before the company managed to finish the company’s key product, the investor withdrew his investment, killing the company before its time. The subcontractor responsible for the technical development of the crucial software also failed to deliver on time. The subcontractor had to be changed, causing financial losses and slowing down software development.

*I personally believe that if we had not listened so closely to [the firm's main investor's] every whim, the story would not have ended the way it did [---] You'd think that those banker-characters would have built an appreciation for maintaining a strategy, but he acted more like a weather vane. – YYZMedia staff member*

*I guess [the major investor] was running many of his businesses down at that stage. – Hired executive, YYZMedia*

*We should have paid closer attention to the credibility of the subcontractor when we selected them. We should have taken a look at their resources and attitude about what it takes to build a piece of software like ours. But this was largely the result of one investor's intense need for our company to grow quickly, so that he can earn his hundredth million fast enough. –Personnel member, YYZmedia*

The friend-to-foe attribution was repeated in the narratives of the two other companies as well. In MobGame’s case, instead of developing the business, the board was ‘solely concerned with fighting bush fires’. In Mobile’s case, the investors’ abrupt withdrawal was regarded as indicative of their susceptibility to market trends.

## 5.7 Fate

Key to any tragedy is the decisive role of the hand of fate (Kauffman, 1968). Fate was invoked in narrative attributions where unexpected market development forced the organization out of business.

*The wireless revolution ate its children in a year. When the investor faith in 3G networks dwindled, so did their interest in firms providing services based on this technology. – A business daily about MobGame, August 2001*

*[Mobile] entered with a mature business idea, to a market which had not yet been born... – Media text*

The fate narrative shares many key attributes with what Brown and Jones (1998) call the ‘inevitability narrative.’ The Fate attribution is the polar opposite of the Catharsis attribution because it transfers blame from the actors to ‘fate’ or ‘the weather,’ i.e. the generic unfortunate development of the organizational environment (Bowman, 1976). It is thus interesting that like the Catharsis, Fate attributions were much more likely to be used by the entrepreneurs than the hired executives. Indeed, the same entrepreneur interviews contained Catharsis passages, as well as purely fatalistic ones. The same entrepreneur might have admitted that the entire bankruptcy was his or her fault, and yet could continue that nothing could have been done to save the company from the outset.

*After [Mobile] fell, I have not wasted my time speculating about what we could have done differently. Frankly, that would have been self-deception. It is unrealistic to think that we could have been saved. The numbers were against us, hopelessly against us. – Hired executive, Mobile*

Although they did admit to having made errors in the beginning, the entrepreneurs of Mobile and many members of the personnel attributed Mobile’s downfall to an unexpected shift in public opinion regarding mobile Internet as a business. This sudden change turned the previously fashionable company into a potential high risk and halted crucial rounds of investment. The entrepreneurs of MobGame also argued that they had entered the market too soon, because other companies realized the same

business ideas a little later with better success. The media narratives regarding all three organizations were often fatalist as they focused on extra-organizational reasons to explain the bankruptcies.

## **6. FUNCTIONS OF NARRATIVE ATTRIBUTION**

Our second research question challenges us to explain how different stakeholders process failure. Table 3 shows how various narrative attributions allow individuals to address the emotional process of grief recovery and the cognitive process of self-justification. Different stakeholders exhibit markedly different responses to these two processes. The entrepreneurs exhibit a balance between loss orientation and the restoration orientation (Shepherd, 2003; see Section 2.1 above) in their grief recovery, as well as a balance of internal and external justification strategies (Aronson, 2011; see Section 2.1 above). The responses of the staff and the hired executives in particular are more biased towards restoration strategy and external justification (see Table 2). The accounts of entrepreneurs reveal a dynamic, learning narrator, while a more static and detached narrator underpins the narratives of the staff and the hired executives.

Table 3: Functions of narrative types in grief recovery and self-justification

| Narrative types    | NARRATIVE ATTRIBUTION                      |                         | FUNCTION OF NARRATIVE ATTRIBUTION   |   |
|--------------------|--|-------------------------|---|---|
|                    | Most used by                               | Focus of Responsibility | Grief recovery  | Self-justification strategy   |
| <b>Catharsis</b>   | Entrepreneurs                              | Personal                | <b>Loss orientation:</b> Face personal role in causing the loss, accept responsibility and learn to identify and temper over-confidence   | <b>Internal:</b> Locate faulty beliefs and actions as belonging to the 'old me', learn by abandoning the 'old me' in favor of a 'new me'  |
| <b>Hubris</b>      | Entrepreneurs<br>Hired executives<br>Staff | Collective              | <b>Loss orientation:</b> Face partial responsibility for loss as a result of getting carried away<br><b>Restoration orientation:</b> Sidestep experience of loss by constructing failure as a common occurrence | <b>Internal:</b> Address the experience of having behaved irrationally through social pressure<br><b>External:</b> Justify failure as a typical outcome of an atypical social context |
| <b>Zeitgeist</b>   | (Media)                                    |                         |   |   |
| <b>Betrayal</b>    | Hired executives<br>Staff                  | Other actor(s)          | <b>Restoration orientation:</b> Restore self-esteem and competence by blaming other actors  | <b>External:</b> Protect self-esteem by blaming other actors; Seek justice by causing reputational damage to blamed actors  |
| <b>Nemesis</b>     | Entrepreneurs<br>Staff                     |                         |   |   |
| <b>Mechanistic</b> | (Media)                                    | Non-human causes        | <b>Restoration orientation:</b> Restore self-esteem and competence by blaming the external societal factors   | <b>External:</b> Protect self-esteem by blaming external societal factors   |
| <b>Fate</b>        | Entrepreneurs                              |                         |   |   |

## **6.1 Grief Recovery**

Entrepreneurial failure can lead to grief, loss of self-confidence, and even guilt (Cardon et al., 2011; Shepherd, 2003; Shepherd and Cardon, 2009). Of all the narrative options, the Catharsis and Hubris narratives were the primary means people used for facing the loss brought on by the failure. Interestingly, however, the entrepreneurs themselves also relied heavily on Catharsis and Hubris narratives, flying in the face of attribution theory predictions. This result does, however, coincide with Shepherd's (2003) prediction that the loss strategy as a part of grief recovery is an important, if only partial, means of learning from failure. The Catharsis narrative forces the narrator to face his/her personal role in bringing about the loss, building up resilience to the risk of becoming over-confident in the future (Howard et al. 2006). To a more moderate degree, the Hubris and Zeitgeist narratives facilitate the same outcome. Rather than a personal flaw, overconfidence is presented in these narratives as caused by a collective siren's song; a mistake one is less likely to make again. The process is more ambiguous, however, as the message about others committing to the same folly also downplays the significance of the actor's personal role in the failure experience.

Assigning blame to other actors or external societal factors allows the actors involved to avoid the stress originating from the failure, providing a variant of the 'restoration orientation' of grief recovery (Shepherd, 2003). The strategies help avoid guilt and self-blame – negative emotions commonly associated with grief (Shepherd, 2003). The Betrayal and Nemesis narratives focus on the secondary activity of "setting the record straight", dishing out reputational punishment to those responsible. This replaces the sense of loss and disappointment with a sense of retribution or revenge, to provide a moral resolution for the tragic events. An important effect of these

narrative attributions is that they symbolically punish those seen as responsible by causing stigma or a loss of reputation, satisfying a sense of justice. Retribution seemed to be a major function for the staff and hired executives in their employment of the Betrayal narrative as a crucial explanation for the failure. The entrepreneurs and staff also commonly resorted to the Nemesis narrative, in which the malevolent investors or other significant parties were attributed responsibility for the venture's downfall. The Mechanistic and Fate narratives instead "blame the weather" (Bowman, 1976), presenting the failure as a stroke of bad luck not worth mulling over. None of the individuals involved were responsible, assigning the blame instead to abstract forces the actors could not have controlled.

Our findings support Shepherd's (2003) prediction that a combination of loss and restoration strategies will be encountered in grief recovery after entrepreneurial failure. This process is accomplished with the use of multiple narrative attributions, often conflicting, within a single narrative account. Our results also show that entrepreneurs balance the two orientations, while other organizational stakeholders lean towards the restoration orientation, focusing on the role of others rather than their own loss.

## **6.2 Self-Justification**

The narrative attributions that accept responsibility (Catharsis, Hubris) imply a contrast between the previous and current self of the author: 'the old me' vs. the 'new me'. The 'old me' is explained as inferior to the 'new me', as the experience of the former (Catharsis) led the actor to get caught up in the heat of the things (Hubris). The narratives assign faults to the 'old me' (caught in hubris) and assign insight gained through experience to the 'new me'. Catharsis and Hubris are examples of an internal

self-justification strategy, where previously held beliefs about the self are abandoned to maintain coherence and self-esteem (Aronson, 2011).

The collective attributions (Hubris and Zeitgeist) accepted responsibility at best only as a member of a larger social collective – also blaming the social context for the uncharacteristic behavior of the narrative’s author. To varying degrees, these narratives normalized the past behaviors of the narrator as something that anyone would have done in the specific context, diminishing the responsibility of the actor for the negative outcomes. As such, they form a complex of external and internal self-justification strategies (Aronson, 2011). Clear examples of external justification strategies can be found in narratives where external actors or forces were attributed. Nemesis, Betrayal, Fate or Mechanistic narratives do not challenge the narrator to examine one’s own self but rather downplay his or her responsibility.

It seems quite striking that the Catharsis narrative was almost solely used by the entrepreneurs, and the Hubris narrative was proportionally much more popular among entrepreneurs than any other type of actors. Due to the lower power and responsibilities of regular employees, they are unlikely to consider themselves holding much influence on organizational survival. In line with this assumption, the staff sometimes resorted to the Mechanistic narrative, in which the organization was considered to be outside the control of any individual.

Executive failure is not celebrated as commonly as the failure of an entrepreneur – indeed we know of no ‘executive failure day.’ In this study, the external justification strategy of executives was to underscore the unwillingness of the entrepreneurs to relinquish control over key events, immobilizing the executives from averting the catastrophe. The Betrayal narrative was thus used to shield a sense of personal competence from the failure experience. The attribution strategy also dealt with the

potentially damaging implication that executives had failed their responsibilities to the owners who had trusted them. As a result, few learning narratives were constructed in the hired executive accounts. Instead of the dynamic between ‘the old self’ and ‘reborn self’ that we saw in the entrepreneurs’ use of Catharsis and Hubris narratives, the managerial selves remained solid and unchanged over time.

## **7. DISCUSSION AND CONCLUSION**

The possibility of failure characterizes entrepreneurship. Failure narratives have received far less attention than the tales of glory and success, but represent an important domain for understanding the challenges of entrepreneurship. We used a set of unique interview data of post-failure accounts from individuals involved in failed ventures to analyze the various ways in which different actors explain and make sense of entrepreneurial failure.

Our results illustrate how the social construction of entrepreneurial failure is driven by the cognitive and emotional needs of organizational stakeholders to maintain positive self-esteem and recover from the loss of the venture. As we illustrate in Table 2, these needs drive a very different construction of failure than what can be derived from external sources such as media texts (Cardon et al., 2011). This multiplicity of narrative attributions underscores the fact that accounts of failure are not mere descriptions of past events. They play a crucial performative role in producing credible explanations for failure (Austin, 1962) in the eyes of the narrators and their potential audiences. They also employ culturally embedded discursive resources (Bakhtin, 1981) to achieve psychological outcomes, necessitated by the failure.

Our results strongly suggest that entrepreneurial failure attributions do not conform to attribution theory in the sense that they cannot be reduced to the generic self-serving

tendency to avoid personal responsibility. Focusing on the perspective of the insiders (entrepreneurs, hired executives, and staff) rather than the media or neutral industry observers, our study has revealed how actors involved in ventures cope with disappointment and potential stigma by developing various narrative accounts of entrepreneurial failure. Instead of searching for the most accurate explanations of failure, a task often confounded by the complexity of events and actions leading to the failure, the narrative attributions help individuals who need to continue with their lives and careers after failure. Our findings join with a number of previous studies which have shed light on how entrepreneurs cope with the challenging socio-psychological pressures (Shepherd, 2003; Shepherd & Cardon, 2009) and public stigma (Cardon et al., 2011) linked with failure.

### **7.1 Limitations**

As results are based on an inductive theory building study sourced from a limited sample from three ventures, they are best regarded as ‘analytical generalizations’ (Yin, 1994), which enrich theoretical discourse and are appropriate for further empirical elaboration in other contexts. Our findings come from in-depth interviews of relatively few informants and a number of media texts. Yet, the informative sample allows us to develop theoretical contributions concerning alternative narrative attribution strategies because it covers a comprehensive range of attributions that is far richer than implied in the existing literature. Moreover, even in our limited sample size, differences between the attributions of failure assigned by entrepreneurs and the other actors become clearly evident.

While we have strived to highlight multiple voices and several narrative types, there are obviously still other interpretations that could have been introduced. While our typology of seven failure attributions is considerable richer than the typical binary

categorization (of accepting or rejecting responsibility), inductive coding of prominent regularities from qualitative data can never provide a complete picture of the myriad of narratives available to the actors (Ketokivi and Mantere, 2010; Mantere and Ketokivi, 2013). The same applies to the range of social purposes and functions that drive their use.

Since our analysis was limited to IT sector start-ups in the Nordic context, narrative attributions and their intended functions might be different in other industry and country contexts. The ventures we studied are not representative of, say, consumer-oriented retail operations, high technology start-ups built on tangible scientific breakthroughs, or family businesses. The attribution dynamics may differ when ventures have concrete underlying technology with unambiguous performance data that allows direct comparability to competing offerings. The period of time was characterized by radical technological change, linked with a dramatic challenge to traditional mindsets.

The audience plays a deciding role in author's choice of narrative. Our failure narratives may not be entirely representative of all the failure narratives the same actors relate to others. On the one hand, the confidential interviews given to academic researchers may be more direct and honest than accounts interviewees give to venture capitalists. On the other hand, however, these narratives may be less frank than the accounts told to old friends and family members. Furthermore, we cannot know if specific narrative attributions arise in relation to particular contexts and audiences.

## **7.2 Suggestions for further research**

As our results are exploratory in nature, our analysis paves the way for further empirical studies of failure narratives. Narrative attributions are not mere alternative

explanations of failure, but also constructions of the very phenomenon of entrepreneurial failure. One way to see our analysis is to portray it as an example of the polyphony between alternate narratives (Bakhtin, 1981), a mix of available failure narratives that co-exist as alternative ‘readings’ of the entrepreneurial failure. The coexistence of such multiple stories are likely to characterize many if not most failed entrepreneurial ventures, which should at the minimum make researchers ponder the reasons and implications of the specific stories that they hear. A broader analysis of narratives drawing from narrative models by, e.g. Greimas (1966/1983), can yield further typologies of failure narratives. Ricoeurian (1984) analysis combined with in-depth interviews might help theorize the identity-building processes within and across narratives. Bakhtinian analysis of dialogicality and heteroglossia (Bakhtin, 1981) and its recent applications (Boje, 2008) could in turn provide fascinating concepts and tools for further study of the interrelationships and dynamics between competing narratives in a failure case. The polyphony of failure narratives raises important questions concerning the broader social negotiation of responsibilities and relationships among actors through competing narratives. This can be answered through a broader analysis of narrative sensemaking among the various stakeholders in the aftermath of failures.

We identified attributions of collective responsibility (Hubris and Zeitgeist) that have not been acknowledged in previous research on entrepreneurship. These collective attributions lie at the middle of the internal-external dichotomy, simultaneously accepting the *causal effect* of one’s own actions that contributed to the failure, and rejecting or mitigating the *responsibility* one has. While literature has noted the existence of collective attributions (Moussavi and Evans, 1993), its role in explaining failures remains undertheorized. Existing studies (Heine and Lehman, 1997) theorize

the tendency of actors to want the groups to which they belong to look good. Such conception does not appear to apply in case of failed ventures, since the venture ceases to exist. Likewise, work by Naquin and Tynan (2003) suggests that actors attribute failure to individuals rather than teams when they lack teamwork experience, but focuses on outside observers who attribute blame to others (“them”) rather than insiders associated with the failure (“us”). There is an apparent gap for a more detailed study and theorization of collective attributions both in the entrepreneurial context and the more general field of organization studies.

Future research needs to address the impact of narrative attribution on consequent entrepreneurial identities. It would be beneficial to study in detail how the attributions of individual entrepreneurs evolve over time as they make sense of the events, and whether attributions predict one’s future entrepreneurial career. Politis and Gabrielsson (2009) suggest that the attitude of individuals towards failure is learned and may influence the ability of entrepreneurs to learn from the failure and move on. We would predict that the use of the Catharsis narrative and its acceptance by relevant others might help the entrepreneur overcome failure and engage in sequential entrepreneurship.

This brings us to the topic of learning from entrepreneurial failure, a central topic in entrepreneurship research (Shepherd and Cardon, 2009), but one on which we could not focus within the scope of our study. We can speculate that Catharsis, Hubris, and Zeitgeist narratives are likely to be associated with individual learning from the failure, since they do not deny the potential causal role of individual actions in the failure. By assigning blame either to the collective or to the inexperienced self, actors can reflect on their own choices and related consequences without simultaneously threatening their identity. This is clearly an issue that requires further research.

Our narrative attribution perspective has implications for the more general discussion of failure in organizational contexts (Bowman, 1976; Clapham and Schwenk, 1991; Gooding and Kinicki, 1995; Salancik and Meindl, 1984). We have theorized narrative attribution as dependent upon a culturally available 'toolkit' of plots (Brown and Humphreys, 2003; Brown and Jones, 1998; Gabriel, 2000; Vaara, 2002). Whilst previous studies have shown that there are various ways in which agency, intentionality and responsibility can be reframed (Brown and Jones, 1998), and that different discourses provide varying possibilities for such reconstructions (Vaara, 2002), our analysis broadens the view with further types of narrative attribution.

## **8. REFERENCES**

Alvesson M., Deetz S. *Doing Critical Management Research*. London: Sage; 2000.

Aristotle. *Poetics*. The Internet Classics Archive at <http://classics.mit.edu//Aristotle/poetics.html>; 1994-2000.

Aronson, E. *The Social Animal*. Basingstoke: Palgrave MacMillan; 2011.

Austin J.L. *How to do Things with Words*. Cambridge: Harvard University Press; 1962.

Bakhtin M.M. *The Dialogic Imagination*. Austin; 1981.

Barr P.S., Stimpert J.L., Huff A.S. Cognitive Change, Strategic Action, and Organizational Renewal. *Strategic Management Journal* 1992; 13:15-36.

Barry D., Elmes M. Strategy retold: Toward a narrative view of strategic discourse. *Academy of Management Review* 1997; 22:429-452.

Bettman J.R., Weitz B.A. Attributions in the Board Room: Causal Reasoning in Corporate Annual Reports. *Administrative Science Quarterly* 1983; 28:165-183.

- Bhidé A.V. *The Origin and Evolution of New Businesses* Oxford University Press; 2000.
- Boje D.M. *Storytelling Organizations*. London: Sage; 2008.
- Bonanno G.A., Goorin, L., Coifman, K.G. Sadness and Grief. In Lewis M., Haviland-Jones J.M., Feldman Barrett L. editors. *Handbook of Emotions*. New York: Guilford Press; 2008.
- Boje D.M. The Storytelling Organization: A Study of Story Performance in an Office-Supply Firm. *Administrative Science Quarterly*, 1991; 36: 106-126.
- Bowman E.H. Strategy and the Weather. *Sloan Management Review* 1976; 17:49-62.
- Brown A.D., Humphreys M. Epic and Tragic Tales. Making Sense of Change. *Journal of Applied Behavioral Science* 2003; 39:121-144.
- Brown A.D., Jones M.R. Doomed to failure: Narratives of inevitability and conspiracy in a failed IS project. *Organization Studies* 1998; 19:73-88.
- Bruner J. The Narrative Construction of Reality. *Critical inquiry* 1991; 18:1-21.
- Bruno A.V., Mcquarrie E.F., Torgrimson C.G. The Evolution of New Technology Ventures over 20 Years - Patterns of Failure, Merger, and Survival. *Journal of Business Venturing* 1992; 7:291-302.
- Cardon M.S., Stevens C.E., Potter D.R. Misfortunes or mistakes? Cultural sensemaking of entrepreneurial failure. *Journal of Business Venturing* 2011; 26:79-92.
- Clapham S.E., Schwenk C.R. Self-Serving Attributions, Managerial Cognition, and Company Performance. *Strategic Management Journal* 1991; 12:219-229.

- Crossan M.M., Berdrow I. Organizational learning and strategic renewal. *Strategic Management Journal* 2003; 24:1087-1105.
- Czarniawska B. *Narratives in Social Science Research*. London: SAGE Publications; 2004.
- Czarniawskajoerges B., Wolff R. Leaders, Managers, Entrepreneurs On and Off the Organizational Stage. *Organization Studies* 1991; 12:529-546.
- Dimov D., De Clercq D. Venture capital investment strategy and portfolio failure rate: A longitudinal study. *Entrepreneurship Theory and Practice* 2006; 30:207-223.
- Dunford R., Jones D. Narrative in strategic change. *Human Relations* 2000; 53:1207-1226.
- Dutton J.E., Dukerich J.M. Keeping an Eye on the Mirror - Image and Identity in Organizational Adaptation. *Academy of Management Journal* 1991; 34:517-554.
- Eisenhardt K.M. Building Theory from Case-Study Research. *Academy of Management Review* 1989; 14:532-550.
- Ford J.D. The Effects of Causal Attributions on Decision Makers' Responses to Performance Downturns. *Academy of Management Review* 1985; 10.
- Gabriel Y. *Storytelling in Organizations: Facts, Fictions, and Fantasies*. Oxford University Press; 2000.
- Gartner W.B. "Who is an entrepreneur?" is the wrong question. *American Journal of Small Business* 1988; 12:11-32.
- Gartner W.B. Entrepreneurial narrative and a science of the imagination. *Journal of Business Venturing* 2007; 22:613-627.

Gooding R.Z., Kinicki A.J. Interpreting Event Causes - the Complementary Role of Categorization and Attribution Processes. *Journal of Management Studies* 1995; 32:1-22.

Greimas A.-J. *Structural Semantics. An Attempt at a Method.* Lincoln: University of Nebraska Press; 1983.

Greimas A.J. *Structural Semantics: An Attempt at a Method.* Nebraska: University of Nebraska Press; 1966/1983.

Hayward M.A, Shepherd D.A., Griffin D. A Hubris Theory of Entrepreneurship. *Management Science*, 2006; 52: 160-172.

Heider F. *The Psychology of Interpersonal Relations.* New York: Wiley; 1958.

Heine S.J., Lehman D.R. The cultural construction of self-enhancement: An examination of group-serving biases. *Journal of Personality and Social Psychology* 1997; 72:1268-1283.

Hjort D., Steyaert C. *Narrative and Discursive Approaches in Entrepreneurship.* Cheltenham, UK: Edward Elgar; 2004.

Holland R., Meertens R.M., Van Vugt M. Dissonance on the road: Self-esteem as a moderator of internal and external oriented modes of self-justification. *Personality and Social Psychology Bulletin*, 2002; 28: 1713-1724.

Ibarra H. Provisional selves: Experimenting with image and identity in professional adaptation. *Administrative Science Quarterly* 1999; 44:764-791.

Ibarra H., Barbulescu R. Identity as Narrative: Prevalence, Effectiveness, and Consequences of Narrative Identity Work in Macro Work Role Transitions. *Academy of Management Review* 2010; 35:135-154.

Kauffman W. *Tragedy and Philosophy*. New Jersey: Princeton University Press; 1968.

Kelley H.H. *Attribution: Perceiving the Causes of Behavior*. New York: General Learning Press; 1971.

Ketokivi M., Mantere S. Two Strategies for Inductive Reasoning in Organizational Research. *Academy of Management Review* 2010; 35.

Kowalski R.M., Wolfe R. Collective Identity Orientation, Patriotism, and Reactions to National Outcomes. *Personality and Social Psychology Bulletin* 1994; 20:533-540.

Lee T.W., Mitchell T.R., Sablinski C.J. Qualitative research in organizational and vocational psychology, 1979-1999. *Journal of Vocational Behavior* 1999; 55:161-187.

Lerner J., Tetlock P.E. Accounting for the effects of accountability. *Psychological Bulletin* 1999; 125:255-275.

Lounsbury M., Glynn M.A. Cultural entrepreneurship: Stories, legitimacy and the acquisition of resources. *Strategic Management Journal* 2001; 22:545-564.

Mantere S., Ketokivi M. Reasoning in Organization Science. *Academy of Management Review* 2013; Forthcoming.

Mantere S., Vaara E. On the problem of participation in strategy: A critical discursive perspective. *Organization Science* 2008; 19:341-358.

Martens M.L., Jennings J.E., Jennings P.D. Do the stories they tell get them the money they need? The role of entrepreneurial narratives in resource acquisition. *Academy of Management Journal* 2007; 50:1107-1132.

Martinko M.J., Harvey P., Douglas S.C. The role, function, and contribution of attribution theory to leadership: A review. *Leadership Quarterly* 2007; 18:561-585.

Mellahi K., Wilkinson A. Organizational failure: a critique of recent research and a proposed integrative framework. *International Journal of Management Reviews* 2004; 5/6:21-41.

Morgan G. *Images of Organization*. Beverly Hills: Sage; 1986.

Moussavi F., Evans D.A. Emergence of organizational attributions: The role of a shared cognitive schema. *Journal of Management* 1993; 19:79–95.

Naquin C.E., Tynan R.O. The team halo effect: Why teams are not blamed for their failures. *Journal of Applied Psychology* 2003; 88:332-340.

O'Connor E. Storied Business: Typology, Intertextuality, and Traffic in Entrepreneurial Narrative. *Journal of Business Communications* 2002; 39:36-54.

O'Connor E. Storytelling to be real: Narrative, legitimacy building, and venturing. In: Hjort D., Steyaert C. editors. *Narrative and discursive approaches in entrepreneurship*. Cheltenham, UK: Edward Elgar; 2004.

Patton M. *Qualitative research and evaluation methods*. 3rd ed.: Sage Publications; 2002.

Pfarrer M.D., Pollock T.G., Rindova V.P. A Tale of Two Assets: The Effects of Firm Reputation and Celebrity on Earnings Surprises and Investors' Reactions. *Academy of Management Journal* 2010; 53:1131 - 1152.

Politis D., Gabrielsson J. Entrepreneurs' attitudes towards failure: An experiential learning approach. *International Journal of Entrepreneurial Behaviour & Research* 2009; 15:364-383.

Polkinghorne D.E. *Narrative Knowing and the Human Sciences*. New York: SUNY; 1988.

Poole A. *Tragedy: A Very Short Introduction*. Oxford: Oxford University Press; 2005.

Propp V. *Morphology of the folktale*. United States: American Folklore Society and Indiana University; 1928/2000.

Ricoeur P. *Time and Narrative*. Chicago: University of Chicago Press 1984.

Rindova V.P., Pollock T.G., Hayward M.L.A. Celebrity firms: The social construction of market popularity. *Academy of Management Review* 2006; 31:50-71.

Rogoff E.G., Lee M.S., Suh D.C. "Who done it?" - Attributions by entrepreneurs and experts of the factors that cause and impede small business success. *Journal of Small Business Management* 2004; 42:364-376.

Salancik G.R., Meindl J.R. Corporate Attributions as Strategic Illusions of Management Control. *Administrative Science Quarterly* 1984; 29:238-254.

Schlenker B.R., Weigold M.F. Interpersonal processes involving impression regulation and management. *Annual Review of Psychology* 1992; 43:133-168.

Shaw G., Brown R., Bromiley P. Strategic stories: How 3M is rewriting business planning. *Harvard Business Review* 1998; 76:41-+.

Shepherd D.A. Learning from business failure: Propositions of grief recovery for the self-employed. *Academy of Management Review* 2003; 28:318-328.

Shepherd D.A., Cardon M.S. Negative Emotional Reactions to Project Failure and the Self-Compassion to Learn from the Experience. *Journal of Management Studies* 2009; 46:923-949.

Singh S., Corner P., Pavlovich K. Coping with entrepreneurial failure. *Journal of Management & Organization* 2007; 13:331-344.

- Staw B.M., McKechnie P.I., Puffer S.M. The Justification of Organizational Performance. *Administrative Science Quarterly* 1983; 28:582-600.
- Strauss A., Corbin J. *Basics of qualitative research: Grounded theory procedures and techniques*. Newbury Park: Sage Publications; 1990.
- Tetlock P.E., Mansted A.S. Impression management versus intrapsychic explanations in social psychology: A useful dichotomy? *Psychological Review* 1985; 92:59-77.
- Tilly C. *Why?* Princeton: Princeton University Press; 2006.
- Vaara E. On the discursive construction of success/failure in narratives of post-merger integration. *Organization Studies* 2002; 23:211-248.
- Watson T.J. Narrative, life story and manager identity: A case study in autobiographical identity work. *Human Relations* 2009; 62:425-452.
- Weick K.E. *Sensemaking in Organizations*. Thousand Oaks, CA: Sage Publications; 1995.
- Weiner B. *An Attributional Theory of Motivation and Emotion*. New York: Springer; 1986.
- Yin R. The case study in crisis: Some answers. *Administrative Science Quarterly* 1981; 26:58-65.
- Yin R.K. *Case study research: Design and methods* (2nd edition). Newbury Park, CA: Sage; 1994.
- Zacharakis A.L., Meyer G.D., DeCastro J. Differing perceptions of new venture failure: A matched exploratory study of venture capitalists and entrepreneurs. *Journal of Small Business Management* 1999; 37:1-14.