

A CATEGORIZATION OF THE CONSEQUENCES OF ENTREPRENEURIAL FAILURE – VALIDATED IN HUNGARY

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Uncertainty and risk are basic elements of entrepreneurial life, and consequently, most entrepreneurs will experience failure, which can impact their lives in various ways. Although several previous studies have tried to categorize the consequences of failure, none could cover their full range. Therefore, the main objective of this qualitative, narrative research was to build a useable categorization system for the consequences of entrepreneurial failure. As a result of this theoretical- and sixteen-interview-based research, the consequences of entrepreneurial failure can be categorized into six groups (and twenty-four sub-groups): financial, psychological, social, professional, legal and physiological consequences. Based on the results, failure is not a negative experience for all entrepreneurs; in fact, for many, negative and positive consequences balanced each other out, or they were not impacted by the failure. During the analysis, potential connections between categories of consequences and the identification of root consequences are also presented.

Keywords: entrepreneurial failure; consequence; cost of failure

A bizonytalanság és kockázat a vállalkozói lét alapelemei, így a legtöbb vállalkozó megtapasztalja a kudarcot is, ami számos módon hathat a vállalkozó életére. Annak ellenére, hogy több, korábbi kutatás kísérletet tett ezek rendszerezésére, egyik se tudta maradéktalanul lefedni a következmények teljes skáláját. Jelen kvalitatív, narratív interjúkutatás fő célja az volt, hogy egy használható kudarc következmény rendszerezést alkosson. A szakirodalmi és 16 vállalkozóval készült kutatás alapján a kudarc következményei 6 nagy kategóriába (és 24 alkategóriába) rendszerezhetők: pénzügyi, pszichológiai, társas, szakmai, jogi és fiziológiai következmények. Az eredmények alapján kijelenthető, hogy nem minden vállalkozó számára negatív élmény a kudarc, sőt sokuk számára a negatív és pozitív következmények kiegyenlítik egymást, vagy nem igazán hat rájuk a kudarc. A szerző az elemzés során bemutatja az egyes következménykategóriák közötti lehetséges kölcsönhatásokat és az azonosított magkövetkezményeket is.

Kulcsszavak: vállalkozói kudarc, következmény, kudarc költsége

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Uncertainty and risk are basic elements of the entrepreneurial life (Fang He & Krähenmann, 2021; Jenkins et al., 2014; McGrath, 1999; Shepherd & Patzelt, 2017; Williamson et al., 2022); consequently, experiencing failure is one of the fundamental characteristics of being an entrepreneur (Fang He & Krähenmann, 2021; Klimas et al., 2021; McGrath, 1999; Yamakawa et al., 2015). All over the world, both historical and recent data show that half of all enterprises fail wit-

hin three to five years (Artinger & Powell, 2016; Atsan, 2016; Corner et al., 2017; Fang He & Krähenmann, 2021; Silver, 2015), which finding is consistent with data from the Hungarian Central Statistical Office (2022). Moreover, the recent COVID-19 pandemic and the following economic recession have probably only worsened the situation (Hwang & Choi, 2021). The researcher consensus is that failure is a painful and traumatic experience for most entrepreneurs (Cope, 2011;

Shepherd, 2003; Singh et al., 2015; Ucbasaran et al., 2013) and affects their lives negatively, not only psychologically but in several other ways (Cope, 2011; Fang He & Krähenmann, 2021; Singh et al., 2007; Ucbasaran et al., 2013). Most prior studies have focused on negative consequences; however, failure can have positive impacts, too (Jenkins et al., 2014; Klimas et al., 2021). Moreover, if we extend the time interval, we can observe how failure can lead entrepreneurs to obtain unique information and experiences, and even recovery from failure can be considered a learning process (Cope, 2011; Cotterill, 2012; Fang He & Krähenmann, 2021; Jenkins et al., 2014; McGrath, 1999; Riar et al., 2021; Shepherd & Patzelt, 2017; Ucbasaran et al., 2013).

The main objective of this study was to build a useable categorization system for the consequences of entrepreneurial failure. This was supported by four subgoals:

1. creation of a categorization based on theoretical research,
2. validation of this categorization on theoretical and primary data,
3. systematic and detailed presentation of explored consequences,
4. test of usability of the categorization.

The source of primary data was qualitative research involving in-depth interviews with sixteen Hungarian entrepreneurs who have experienced business failure.

The paper is divided into four sections. It begins with a presentation of the proposed categorization system with an overview of the theoretical background and Hungarian context of entrepreneurial failure. The second section gives an overview of the research methodology and sample. The third part presents the results of current qualitative research, with ongoing discussion. The fourth section focuses on how researchers can use the proposed categorization to determine the severity of failure experiences or identify potential connections between failure categories. Finally, the study closes with a short summary that draws together key findings, presents limitations, and suggests further research directions.

Categorizing the consequences of entrepreneurial failure

During two decades of entrepreneurial failure research, many research groups have aimed to explore and categorize the potential consequences of failure. However, these impacts can vary in direction and longevity and appear at different levels (individual, organizational, economic/societal), which can require different methodological approaches (Klimas et al., 2021). The research consensus is that, in most cases, failure has not only financial but psychological impacts on the entrepreneur's life (Cope, 2011; Jenkins et al., 2014; Shepherd, 2003; Shepherd & Cardon, 2009; Shepherd et al., 2009; Singh et al., 2007; Ucbasaran et al., 2013). Moreover, failure can decrease entrepreneurial intention, causing entrepreneurs not to re-enter entrepreneurship (Cardon et al., 2011; Shepherd, 2003; Singh et al., 2015; Yamakawa et al., 2015). Furthermore, failures can negatively impact entrepreneurs' physical health (Cope, 2011; Corner et al., 2017; Singh et al., 2007).

However, it must be stated that not all consequences are negative; failure can have positive effects, too (Jenkins et al., 2014; Shepherd & Haynie, 2011; Riar et al., 2021; Ucbasaran et al., 2013). These positive and neutral consequences become more visible if researchers extend the investigation timeline (Klimas et al., 2021).

Categorization system building

There are different theories in the literature about how we can categorize the consequences of entrepreneurial failure. In a more recent categorization system, direct and indirect effects and long-term outcomes are distinguished (Klimas et al., 2021). Most prior studies have focused on the direct effects of failure, which may be immediate, detrimental, temporary or interpreted on an individual level. Three categorizations of consequence stand out. In Table 1, comparison is presented between them and the proposed categorisation (dashes indicate deficiencies in a category).

Table 1
Comparison of main categorizations of consequences of failure compared to the proposed model

Singh et al. (2007)	Cope (2011)	Ucbasaran et al. (2013)	Proposed categories
economic	financial	financial	financial
	professional	social (1)	professional
–	entrepreneurial	psychological (1)	psychological
–	–		
psychological	emotional		
social	social	social (2)	social
–	–	–	legal
physiological	physiological	psychological (2)	physiological

Source: own compilation

Singh et al. (2007) identify four well-defined simple categories, but this approach lacks part of the psychological (it mainly covers emotions), professional, and all legal consequences. Cope (2011) used six very different types, which nearly cover all consequences (except for legal and some part of psychological consequences), but in some cases, these categories overlap a little. Ucbasaran et al. (2013), using a different approach, attempted to cover all consequences using three bigger categories: financial, social (covering private and professional relationships and business prospects) and psychological (this contains emotions, motivational changes, and even physiological consequences). However, this third categorization lacks legal consequences and neglects physiological ones. Moreover, legal consequences have received less emphasis in the literature but are explicitly treated in a study by Repisky (2018). In conclusion, the current study proposes six main categories (Table 1): financial, psychological, social, professional, legal, and physiological consequences. In the following subchapter, previously explored consequences are classified using the proposed categorization system, regardless of whether they involve negative, neutral or positive impacts.

Summarizing consequences of entrepreneurial failure

Financial consequences affect the financial situation and prospects of the entrepreneur and their family. These consequences may occur at different severity levels. The least serious is a decrease in the financial well-being and income of the entrepreneur and their family (Fang He & Krähenmann, 2021; Jenkins et al., 2014; Jenkins & Wiklund, 2012; Shepherd et al., 2009; Singh et al., 2007; Ucbasaran et al., 2013). A more severe consequence is when the entrepreneur and their family lose their savings (Cope, 2011; Fang He & Krähenmann, 2021; Repisky, 2018; Shepherd et al., 2009; Shepherd & Patzelt, 2017) and/or their investments (Jenkins & Wiklund, 2012). Finally, a more severe consequence is when entrepreneurs get into debt, regardless of whether the loan comes from a bank or friend, because this may affect the entrepreneur's life for years or even decades (Cope, 2011; Fang He & Krähenmann, 2021; Jenkins et al., 2014; Jenkins & Wiklund, 2012; Singh et al., 2007). However, financial difficulties do not necessarily occur; many entrepreneurs do not suffer financially after failure (Fang He & Krähenmann, 2021).

Psychological consequences include every impact on an entrepreneur's psychological characteristics and functioning. This is the most diverse category, and current theoretical research proposes three subgroups: 1) emotional consequences, 2) changes in personality traits, and 3) changes in general confidence and self-efficacy. There may be various emotional consequences: grief (Cope, 2011; Corner et al., 2017; Jenkins et al., 2014; McGrath, 1999; Repisky, 2018; Shepherd, 2003; Shepherd et al., 2009; Singh et al., 2007; Ucbasaran et al., 2013; Wennberg & DeTienne, 2014); fear (of the unknown: Ucbasaran et al., 2013; of the financial situation: Jenkins et al., 2014); others may feel guilty about employees who have been laid off (Cope, 2011; Fang He & Krähenmann, 2021; Singh et al., 2015) or that investors did not get their money back (Cope, 2011); disappointment (Fang He & Krähenmann, 2021; Riar et al., 2021; Williamson et al., 2022); and even depression (Riar et al., 2021; Singh et al., 2007; Ucbasaran et al., 2013). However, entrepreneurs can feel positive emotions after failure, but usually not together with negative ones (Byrne & Shepherd, 2015). A common positive emotion is relief associated with getting rid of a burdensome enterprise (Fang He & Krähenmann, 2021), which can decrease entrepreneurs' stress levels (Khelil, 2016). In the aftermath of failure, the risk-taking propensity of entrepreneurs can decline (Cope, 2011; Klimas et al., 2021) or increase (Cardon et al., 2011), while they may lose faith in their internal locus of control (Repisky, 2018). Failure can have a negative effect on entrepreneurs' self-efficacy (Cardon et al., 2011; Cope, 2011; Corner et al., 2017; Klimas et al., 2021; Shepherd, 2003; Ucbasaran et al., 2013), general self-confidence (Cope, 2011; Jenkins et al., 2014; Shepherd, 2003; Singh et al., 2015) or self-view (Hwang & Choi, 2021; Shepherd & Haynie, 2011). However, in other cases, entrepreneurs may increase their self-efficacy and resilience due to failure (Cardon et al., 2011; Klimas et al., 2021).

Social consequences affect entrepreneurs' personal relationships (not professional and business relationships). Social consequences can involve three territories: entrepreneurs' families, friendships, and the wider community. Failure can strain an entrepreneur's relationship with their family (Fang He & Krähenmann, 2021); or even lead to divorce (Cope, 2011; Fang He & Krähenmann, 2021; Singh et al., 2007). Entrepreneurial failure can lead to challenges to or the loss of the role of the head of the family (Repisky, 2018). Moreover, entrepreneurs can lose the respect of their friends (Singh et al., 2007) or even some friends after failure (Corner et al., 2017; Fang He & Krähenmann, 2021; Repisky, 2018). However, some entrepreneurs may positively evaluate the loss of some 'friendships of interest' if such 'friends' were only there for the money or status (Repisky, 2018). Sometimes entrepreneurs may feel lonely because there is no one to ask for help (Cope, 2011; Corner et al., 2017; Singh et al., 2007). They may feel that they have failed to meet the expectations of society, which may amplify the emotional consequences (Riar et al., 2021). Several studies have shown that entrepreneurs can be stigmatized after failure in both their personal and professional relationships; they can be branded with the stigma of being a "failed entrepreneur", suggesting that they are not competent enough to be entrepreneurs and they should not re-enter into entrepreneurship (Hwang & Choi, 2021; Jenkins et al., 2014; Klimas et al., 2021; Shepherd & Haynie, 2011; Simmons et al., 2014; Singh et al., 2015; Ucbasaran et al., 2013; Wakee et al., 2014; Wiesenfeld et al., 2008). However, it is interesting that in some cultures, the opposite happens; entrepreneurs who have experienced failure are seen as more experienced and wiser, so failure can be seen as a "badge of honour" (Simmons et al., 2014).

The consequences affecting entrepreneurs' businesses, professional relationships, recognition, prospects, and career paths can be classified as *professional consequences*. One of the most common consequences within this category is the loss of entrepreneurial intention (Cardon et al., 2011; Klimas et al., 2021; Repisky, 2018; Shepherd, 2003; Singh et al., 2015), and for some entrepreneurs, it becomes a necessity and not a choice to become an employee (Cope, 2011; Repisky, 2018). Furthermore, entrepreneurs' business and professional relationships can weaken or break during and after failure (Cardon et al., 2011; Cope, 2011; Fang He & Krähenmann, 2021; Klimas et al., 2021; Repisky, 2018; Shepherd et al., 2009; Singh et al., 2015; Ucbasaran et al., 2013). Previously mentioned stigma in the professional field can decrease entrepreneurs' chances of obtaining future employment and assignments or finding new business partners (Cardon et al., 2011; Klimas et al., 2021; Repisky, 2018; Simmons et al., 2014; Singh et al., 2007; Singh et al., 2015; Ucbasaran et al., 2013; Wiesenfeld et al., 2008), but entrepreneurs are not always stigmatized (Cope, 2011). However, according to Rieger et al. (2022), failed entrepreneurs are more liable to be hired in the corporate world than graduates who start their careers in a corporation, but failure after a long period of entrepreneurial activity (e.g., eight years) can have the opposite effect.

Legal consequences have not been the focus of entrepreneurial failure researchers. However, laws related to business closure have been researched as factors that can increase or decrease other consequences of failure (Cardon et al., 2011; Cotterill, 2012; Fang He & Krähenmann, 2021; Ucbasaran et al., 2013). In this category of consequences are effects like court and liquidation proceedings and being prohibited from occupying a CEO position (Repisky, 2018).

The last category includes different *physiological consequences* that affect an entrepreneur's physical health; however, there is a shortcoming in research into the health-related outcomes of entrepreneurial failure (Shepherd & Patzelt, 2017). Pearlman et al. (2015) summarizes how numerous studies have confirmed that job loss negatively affects self-rated mental and physical health, and self-rated health is linked to various objective health measures. Stressors cause allostatic load, and if this is left unresolved, it can lead to the "wear-and-tear" of inflammatory, metabolic, and cardiovascular systems, and self-employed people experience higher levels of allostatic load (Patel et al., 2019). Moreover, the psychological literature has established a strong link between grief and depression, anxiety-related disorders, increased visits to the doctor, poor physical health and a higher risk of mortality (Shepherd & Patzelt, 2017), and grief is a common consequence of entrepreneurial failure. Furthermore, when entrepreneurs attribute problems to their stable shortcomings, this can increase their ill-being (Williamson et al., 2022). Despite all these claims, it must be stated that, the connection between failure and health problems is reported by interviewees, not medical experts. Physiological consequences can have four levels of severity: symptoms that can be treated at home, medical supervision or, hospital care is required, and suicide. In previous researches, the following symptoms were attributed by research participants to failure: insomnia, weight loss, general exhaustion (Singh et al., 2007), high blood pressure (Cope, 2011), panic attacks (Singh et al., 2007), an overactive bladder, and the onset of early menopause and thyroid disorders (Corner et al., 2017). Some entrepreneurs even needed medical supervision due to the use of stronger antidepressants and medications (Corner et al., 2017) or hospital care due to symptoms such as a slow heart rate and abnormal breathing (Singh et al., 2007). The last consequence, suicide, is the most serious one and has been explored in Japan (Yamakawa & Cardon, 2015) and South Korea (Hwang & Choi, 2021). However, some interviewees claimed to have "only" thought about taking their own life in research in Switzerland (Fang He & Krähenmann, 2021) and New Zealand (Corner et al., 2017).

Portfolio and serial entrepreneurship can affect the consequences of failure. Portfolio entrepreneurs diversify their financial risks and can better handle the financial consequences of failure (Fang He & Krähenmann, 2021; Jenkins et al., 2014; Ucbasaran et al., 2013; Wennberg et al., 2010). While portfolio entrepreneurs can more easily detach themselves emotionally from lost enterprises (Ucbasaran et al., 2010), serial entrepreneurs are emotion-

ally connected to only one business at a time and may have more intense emotions about them (Shepherd et al., 2009; Simmons et al., 2014; Ucbasaran et al., 2010; Ucbasaran et al., 2013). Moreover, in the case of portfolio entrepreneurs, other business(es) can help to reset entrepreneurs' self-esteem and sense of independence faster (Jenkins et al., 2014). Serial entrepreneurs' previously successful businesses can help them endure psychological consequences because they can build on past successes (Cope, 2011; Jenkins et al., 2014; Klimas et al., 2021; Ucbasaran et al., 2013). However, serial failures are more liable to shake the entrepreneur's self-confidence because they feel that such failures are not anomalies (Ucbasaran et al., 2013). Moreover, Jenkins et al. (2014) added that the key is not the number of past failures but how well entrepreneurs coped with them; if they coped successfully with failure, they tend to re-enter entrepreneurship.

To summarize prior studies about the consequences of failure, the dominance of negative consequences is obvious, even if some neutral and positive effects may be identified. Moreover, if the entrepreneur does not deal with these diverse consequences in a complex way, due to the interconnections of the consequences, they may end up in a downward spiral, from which it will be increasingly difficult to recover (Fang He & Krähenmann, 2021).

The Hungarian context

Hungary was under the influence of the former Soviet Union and today is a member of the European Union. Both systems have impacted Hungarian economic, political, cultural and social systems, so there is now a mixture of Eastern and Western standards and values (Dvouletý & Orel, 2020; Falkné Bánó, 2015). This transformation has influenced educational systems "and turned out [to be] one of the pillar stones of growing entrepreneurial intentions in the region" (Dvouletý & Orel, 2020, p. 448). However, Hungarian students may lack the necessary knowledge about the critical factors of self-employment and its risks (Dvouletý & Orel, 2020), which can increase the failure rate. In Hungary, only a third of people (36%) feel they have the right knowledge, skills, and experience to start a business, which rate is the lowest in the whole region (Csákné Filep et al., 2022). According to data from the Hungarian Central Statistical Office (2022), the three-year survival rate of Hungarian enterprises was 58.6% in 2018, and the ten-year average was 53.4%, which is similar to in other developed countries (Artinger & Powell, 2016; Atsan, 2016; Corner et al., 2017; Fang He & Krähenmann, 2021; Silver, 2015).

Many researchers have confirmed that formal institutions can influence entrepreneurial intentions and risk-taking (Cardon et al., 2011; Cotterill, 2012; Fang He & Krähenmann, 2021; Prusak et al., 2022) and the financial consequences of failure and re-entry (Prusak et al., 2022; Ucbasaran et al., 2013). The severity of bankruptcy laws can be entrepreneur-friendly by reducing or eliminating personal liability, supporting faster re-entry (Ucbasaran et al., 2013), and providing government training and support programs for failed entrepreneurs (Hwang & Choi, 2021),

or it can increase the difficulty of restarting by requiring the registration of bankruptcy in public databases along with the credit history of the entrepreneur (Fang He & Krähenmann, 2021). In Hungary, limited liability companies are common; however, there are no support programs for failed entrepreneurs, and there is a database that contains details about the history and owners of enterprises.

However, the aims of formal and informal institutions can strengthen or contradict each other (Welter & Smallbone, 2011), which means that social norms can influence laws, and formal institutions can impact people's acceptance of business failure (Ucbasaran et al., 2013; Welter & Smallbone, 2011). The mediator between these factors may be the media; the latter has a privileged role in shaping attitudes towards entrepreneurs because it not only reports on specific events but can shape public opinion (Szerb & Kocsis-Kisantal, 2008). In 2005, in two Hungarian daily magazines that were analysed, relatively few articles dealt with failures and bankrupt businesses (Szerb & Kocsis-Kisantal, 2008). Between 2015 and 2019, the general tone of four mainstream Hungarian online magazines' articles about entrepreneurs was positive in 26.4% of cases, neutral in 41.2% and negative in 32.4%. Interestingly, the media representation of foreign companies in Hungary was found to be two-and-a-half times less negative than that of domestic Hungarian ones (Virágh & Szepesi, 2022). Looking at the ten-year average (2007-2016), one-third of Hungarians reported reading stories about successful entrepreneurs in the media, while the average is nearly 50% in Central and Eastern Europe – CEE (GEM, 2017). After a four-year hiatus, according to the most recent data (2021), Hungary had caught up, scoring 65% on this indicator (Csákné Filep et al., 2022).

Half of surveyed Hungarians agree that entrepreneurs have high social status (47.6%) and that being an entrepreneur is a desirable career choice in Hungary (47.9%), and a quarter of them think the opposite or “do not know” (Csákné Filep et al., 2022). According to a survey by the European Commission (2012), 82% of respondents in the EU would give a second chance to entrepreneurs who had failed (in several countries, this proportion exceeds 90%), and even in the CEE region, the proportion is 78%. However, in Hungary, 69% of respondents would give an entrepreneur a second chance, the second lowest value in Europe and the third lowest worldwide. This suggests that in Hungary, failure with an enterprise is more likely to lead to stigmatization, while in other more forgiving countries, failure can be seen as a “badge of honour” (Simmons et al., 2014) – like in the USA (Cotterill, 2012; Klimas et al., 2021).

In more collectivistic cultures, failures are less forgivable than in individualistic ones because failure can be considered a waste of social and economic assets (McGrath, 1999). In Hungary, findings about this are controversial (Falkné Bánó, 2015); according to an estimation by Hofstede (2015), Hungarian culture is individualistic (80 - higher value means more individualistic culture), but according to Varga's (2008) research with more than 1,000 employees, it is collectivistic (11). The CEE average

is 40 (Hofstede, 2015). However, another relevant cultural dimension is uncertainty avoidance, which scored nearly the same in both datasets (Hofstede: 82; Varga: 83 - higher value means increased uncertainty avoidance) and was almost equal to the CEE average (80), which means Hungarians tend to prefer security and are less tolerant of innovation and experimentation (Hofstede, 2015), which can make people less tolerant of failure (Rieger et al., 2022). The situation that “Hungarian society lacks trust” probably does not help – a phenomenon which is generally true of post-socialist countries (Tóth, 2010; p. 259). On the other hand, fear of failure would prevent only 38.2% of Hungarians from starting a business, one of the lowest values in Europe (Csákné Filep et al., 2022).

Methodology and sample

In this brief chapter, the methodology and an introduction to the sample are presented. Before diving into this chapter, entrepreneurial failure should be defined. During this research, *entrepreneurial failure* was defined as when an entrepreneur leaves their business or closes it because it did not meet their expectations or due to a decisive external factor. This definition of failure fits well with the emotive approach formulated by Khelil (2016), covering the ‘involuntary exit’ part of his typology.

Methodology

The research objective was to build a useable categorization system for the consequences of entrepreneurial failure and validate this with semi-structured, in-depth interview-based narrative research in Hungary. A narrative research design was chosen because it helps to understand how processes and events unfold temporally; to obtain insight into people's thoughts, emotions and interpretations; to understand their perspectives better, and because data was rare and sensitive (Corner et al., 2017).

Entrepreneurial failure researchers face unique challenges: it is hard to find entrepreneurs who have experienced failure (Cotterill, 2012; Jenkins et al., 2014; Khelil, 2016); entrepreneurs tend to reject participation in research (Byrne & Shepherd, 2015; Hwang & Choi, 2021; Jenkins et al., 2014; Riar et al., 2021), and researchers can usually only undertake retrospective interviews years after failure events, which can create bias in data (Byrne & Shepherd, 2015). In order to mitigate some of these challenges and speed up trust building, the snowball (recommendation-based) sampling method was applied because it can increase willingness to respond (Cope, 2011; Corner et al., 2017; Khelil, 2016), and it is ideal for hard-to-reach interviewees (Khelil, 2016). To prevent getting stuck within one network of connections, thirty-three people were asked for recommendations. Recommenders were primarily entrepreneurs and privileged witnesses (Khelil, 2016) who were directly connected with failed entrepreneurs because of their profession (consultants, accountants, employees of the chamber of industry or entrepreneurial networks). The criteria for selecting interviewees was fitting the definition of applied failure,

which was checked with a short phone call. Following the recommendations, twenty-three entrepreneurs gave positive feedback about their participation; however, for different reasons (e.g., lack of time, sickness and death in the family), seventeen interviews were implemented between April and September of 2021. The interview thread was tested in three rounds before the research. It had three main sections, similar to the approach of Byrne and Shepherd (2015) and covered a more extensive area of entrepreneurial failure than described in this paper. The first part of the interview was about building trust and tuning in (typical themes were entrepreneurial experience, starting motivations, and the scope of business). The second section included the hardest themes of failure, consequences, and coping, involving going through each of the six categories of consequences one by one. The last section focused on lessons learned and career choices after failure.

From the seventeen interviews that were recorded, sixteen were used in the analysis because one interview included too little relevant information. Analysis was undertaken in four stages. In the first phase, the literature was ignored, and open coding was used to break down raw data into handleable information, and memos were written about the potential connection between codes (Corbin & Strauss, 2008). In the second section, similar codes were grouped to distinguish only significantly different ones, which made them more abstract. The main aim of the third phase was to locate each abstracted code in one of six categories of consequences. The aim of the last section was to undertake a comparative analysis (Corbin & Strauss, 2008); here, a comparison of cases and the formulation of potential connections between consequences were undertaken. In critical parts of the last three sections, a second opinion (another researcher) was involved to mitigate the researchers' subjectivity and triangulate results. Researchers cannot be present when failure happens to examine entrepreneurs' emotions or connections between failure and physiological symptoms, so relying on interviewees' reports is a limitation.

Introduction of sample

The sample included sixteen entrepreneurs with significant entrepreneurial experience (average 16.2 years), several of whom had already had more than twenty years of entrepreneurial experience at the time of the interview (interviewees 4, 6, 12, 14, and 16). The sample was diverse regarding the number of managed enterprises; in some cases, the failed enterprise was the first and last company of the entrepreneur (7, 10, 15), although several portfolio entrepreneurs could not even say how many enterprises they had been involved in so far (2, 4, 8, 16).

In the sample, the failed enterprises were micro and small companies, but they were very diverse in terms of operating industry and duration of operation (from 0.5 years to 25 years). Nine analysed failures occurred in the last five years; five failures occurred between five and ten years ago, and two failures happened more than ten years before the interview.

Four types of failure were distinguished based on elements of the definition of failure: nine enterprises went bankrupt; four did not meet the entrepreneur's expectations and goals (e.g., not enough profit; problematic business partner); two product-developing start-up companies failed to obtain investment, and in one case an external factor forced the entrepreneur to exit (regarding the distribution of property). The explored cases were very diverse, which can be a positive characteristic of exploratory, qualitative studies, according to Byrne and Shepherd (2015).

Validation of the categorization of consequences

The presentation of results is divided into two chapters. In the first chapter, every explored consequence of failure was placed into the previously proposed categorization system to see if any modification was needed. During this validation phase, summary tables were created for the six categories of consequences to show which consequences confirmed prior research and which complemented them. The second chapter summarises the potential use of this categorization system (exploring connections between consequence categories and classifying the severity of failure experiences).

Financial Consequences

Among the *negative financial consequences*, the most common and obvious was decreased income (1, 6, 8, 10, 12, 14), and some entrepreneurs had experienced significant financial loss (4, 8). A decrease in well-being appeared at different intensities; some entrepreneurs only had to manage their finances more consciously after failure (10), while for others, their daily livelihood had been put in danger (6, 8). The case of the eighth interviewee shows how serious this could be: "...there was a period when I didn't buy *kiflis* (crescent-shaped bread rolls) but a quarter kilogram of bread because it was much better value for money..."; "My total assets were a few hundred forints" (equivalent to a few euros); "I travelled without a ticket on the tram..., because I didn't have money for [one]". Another common financial consequence was the loss of the personal savings of the entrepreneur (1, 2, 8), or the whole family (10), or even an inheritance (8). Many entrepreneurs went into debt because of failure. Some of them asked for loans from friends (8, 15), from a bank (5), or even went into debt as a private person and company (8, 15).

A more common novel consequence was that financial capital was stuck in businesses, and entrepreneurs could not recover it. 'Stuck' capital can be accumulated in the form of unsaleable assets (3, 15), software purchased for services (1), or money invested in the renovation of rented business premise (2). Another newly explored financial consequence is that a part of the entrepreneurs' wealth was lost due to the process of redistributing property, which is associated with various costs and fees: "...it's not 50-50, but say 40-40..." (5).

Even though failure resulted in a net loss for several entrepreneurs (8, 13, 16), there were also those who did not suffer from financial consequences, or only minimally (7, 11, 12, 14), or the financial effects of failure did not affect their family's wealth (3, 13). In such cases, the *financial consequences* can be interpreted as *neutral*. But, interestingly, in some cases, *positive financial consequences* were identifiable. For example, three entrepreneurs closed their businesses with a positive overall financial balance (9, 12, 14), and one entrepreneur positively assessed that a closed company would not consume additional capital in the future (4) (Table 2).

Table 2
Explored financial consequences

Impact	Consequences	Occurrence	
		Previous research	Current research
Negative	Decrease in income	x	x
	Decrease in financial well-being	x	x
	Losing of savings	x	x
	Going into debt	x	x
	Financial capital stuck in the company		x
	Capital lost during distribution of property		x
Neutral	Minimal or no financial consequences	x	x
	Failure does not affect family's wealth		x
Positive	Exit with positive financial balance		x
	Lost companies do not consume further capital		x

Source: own compilation with reference to previous research: Cope (2011); Fang He & Krähenmann (2021); Jenkins et al. (2014); Jenkins & Wiklund (2012); Repisky (2018); Shepherd et al. (2009); Shepherd & Patzelt (2017); Singh et al. (2007); Ucbasaran et al. (2013)

Psychological Consequences

The psychological consequences of failure are the most diverse, and it is not a coincidence that this is the central area of research. After theoretical analysis, three subcategories were proposed: 1) emotional consequences, 2) changes in personality traits, and 3) changes in general confidence and self-efficacy. The most dominant group of adverse psychological consequences occurs with emotions, so some researchers (like Cope, 2011) even handle them separately.

The various emotions that were explored were aggregated into more abstract concepts for simplification.

- Emotions before failure happened: anger (3), sadness about losing the company (1) or about dismissed employees (14), hope (3) or lost hope (10).
- Negative emotions because of the loss of a company: grief (1, 3, 4, 10, 12), which can turn into depression according to interviewees (1, 8); they felt

they had “*mentally fallen to the floor*” (1, 4, 8, 15); or the experienced of failure as a traumatic event or a breaking point in their lives (1, 5). Two interviewees directly compared the loss of their businesses to the loss of a loved one (1, 4): in Interviewee 1's words: “*...the two can't be compared to each other, but still a little, it's similar to when someone loses a close relative. Processing this strong loss, it all starts with trauma; it also happened very quickly and took a toll on me.*”

- Anxiety and fear manifested in the form of concerns about financial security (1, 6, 8), fear of uncertainty (1), or struggling with uncertainty (6).
- Negative emotions because of dismissed employees: sadness, worry and a sense of responsibility (2), a feeling of non-compliance (8), or in the second interviewee's words: “*...what was difficult about it was the personal attachment to people and a feeling of responsibility for them, and the failure associated with this.*”
- Burden of the loss of some friends (4).
- Increasing stress led to nervousness (12), tension and irritation (1).
- Negative feelings due to lost opportunities: regret about not seeing their product “*takes its first steps*” (13) or see the company grow and become profitable (9).
- Mental burden due to debts: One interviewee (15) felt guilty because he could not repay a loan to his friends.
- Entrepreneurs disappointed in their entrepreneurial life (5), in their business partner (3), and disappointment that doubters were right (13).

Interestingly, no observable consequences caused changes in entrepreneurs' personality traits. *Wavering self-confidence* is widely studied in the literature. However, this emerged only with Interviewee 1. Compared to the literature, a new subcategory of consequences appeared: “*...and my image of life and values to that point was turned upside down...*” (8).

In some cases, there were no psychological consequences; four entrepreneurs said that failure did not affect them emotionally (7, 11, 14, 16), and another said that he had recovered very quickly from an emotional perspective (3).

Some *positive psychological consequences* that are identified in the literature did not emerge in the current research. However, a sense of relief was observed as a positive emotional consequence (2, 13, 14, 15). This is how Interviewee 2 formulated this: “*So the first feeling was sadness, then obviously there was great relief that this was not my problem from then on.*” Interviewee 14 had feelings about something more specific; he was relieved that he no longer had to deal with COVID-19 and the related regulations. According to the family of Interviewee 10, he became “*more smooth and calm*” after the failure. Furthermore, the initially negatively experienced value crisis of Interviewee 8 was transformed in a positive direction within a few years (Table 3).

Table 3

Explored psychological consequences

IMPACT	SUBCATEGORY	CONSEQUENCES	OCCURRENCE	
			PREVIOUS RESEARCH	CURRENT RESEARCH
Negative	Emotions	Hopelessness (before failure)		x
		Sadness, anticipatory grief (before failure)	x	x
		Anger (before failure)		x
		Feeling of loss, grief	x	x
		Anxiety and fear due to uncertainty	x	x
		Negative emotions because of dismissed employees	x	x
		Mental burden of losing some friends		x
		Increasing stress led to nervousness and irritated mood	x	x
		Negative feelings due to lost opportunities		x
		Mental burden due to debts		x
		Feeling guilty that investors did not get their money back	x	
		Disappointment	x	x
	Personality	Lost faith in internal locus of control	x	
	Self-confidence	Decrease in entrepreneurial self-efficacy	x	
Decrease in general self-confidence		x	x	
Personal values	Shattering personal value system, believes		x	
Neutral	Emotions	Hope that failure can be avoided	x	x
		Failure had no emotional effect		x
		Fast emotional recovery	x	x
Personality	Change in risk-taking propensity (increase or decrease)	x		
Positive	Emotions	Relief	x	x
		Become more calm		x
	Personality	Increased resilience	x	
	Self-confidence	Increase in entrepreneurial self-efficacy	x	
	Personal values	Positive change in personal values and view of world		x

Source: own compilation with reference to previous research: Byrne & Shepherd (2015); Cardon et al. (2011); Cope (2011); Corner et al. (2017); Fang He & Krähenmann (2021); Hwang & Choi (2021); Jenkins et al. (2014); Khelil (2016); Klimas et al. (2021); McGrath (1999); Repisky (2018); Riar et al. (2021); Shepherd (2003); Shepherd et al. (2009); Shepherd & Haynie (2011); Singh et al. (2007); Singh et al. (2015); Ucbasaran et al. (2013); Wennberg & DeTienne (2014)

Social Consequences

Social consequences only impact entrepreneurs' personal relationships, not professional or business ones. However, *negative consequences* related to the entrepreneurs' families and roles were so prominent that differentiating between consequences that affected the entire family and only the entrepreneur's spouse might be useful.

Consequences affecting entrepreneurs' families appeared in different forms: parental fear and worry (8, 15), tension caused by failure that spilled over into family life (1), and one male entrepreneur reported a 'wobble' in his role as head of the family (6). The surprising new consequence was that two children of one entrepreneur had put aside their studies/work and rushed to help her, which created tension within the family because other family members thought the children had sacrificed their own lives to save their mother (3). Another newly discovered consequence was that in one case, "...[a child of an entrepreneur] had to be sent to nursery and couldn't stay at home

with his mother until he is three years old because the mother had to go back to work", which might be a natural situation for others, but was contrary to their goals (10). Two consequences that impacted entrepreneurs' spouses were identified: debates between a husband and wife about the closure of their company (11) and an entrepreneur who was worried about his wife because it was more difficult for her to let go of their enterprise (3).

Diverse effects on friendships were also explored; some friends left one entrepreneur after the latter's failure, which caused sadness (4), there were too many expressions of regret from friends (3), and friendships were slightly overshadowed by the fact that one entrepreneur owed them money for eight years, but luckily these relationships did not become hostile (15).

Not all the social consequences identified in the literature emerged in this research, but the absence of one stands out: stigmatization, because this is a significant area of research in entrepreneurial failure studies, and the Hungar-

ian context also indicates its existence (EC, 2012). When I asked about stigmatisation, several interviewees reported that they did not perceive any change in attitude towards them (3, 10, 16), and some also added that they did not perceive any change in their friendships (2, 5, 7, 13, 16).

Moreover, the current research complements the literature due to the identification of several *positive consequences*, such as “*tangential ‘street’ connections*” transforming into friendly helpers after failure (4), more time for family and children (14), and losing ‘friends of interest’ who were friends only for the status or financial benefits (14) (Table 4). Another interesting new positive consequence was identified by Interviewee 9: “*My wife has always been a public servant, so she acknowledged entrepreneurs but always preferred a secure existence – a fixed monthly income – so she was really happy when I started working at the new place as an employee.*”

Professional Consequences

Professional consequences can impact an entrepreneur’s business and professional relationships, recognition, ca-

reer path and future business prospects. The most common professional consequence was that entrepreneurs had to terminate harmful business relationships. Most entrepreneurs attributed this termination as negative (3, 9, 15) but, in one case, as positive (8). The betrayal of Interviewee 15’s business partner reached a point where the interviewee’s trust in clients wavered as well. Other consequences for entrepreneurs’ business relationships included the following: users complained about the unavailability of their software (7), former colleagues began to avoid them (1), and during business failure, a former colleague started working for their competitor, affecting the entrepreneur’s general trust in others (1).

Among the consequences that impacted career paths, the most common consequence was that entrepreneurs had to become employees after failure, primarily for financial reasons (5, 8, 10, 15). Moreover, one entrepreneur lost their entrepreneurial intention and reported that they would prefer to work as employee in the future (6). Another reported consequence was after failure, the entrepreneur was confused about what to do or start next (10).

Table 4

Explored social consequences

IMPACT	SUBCATEGORY	CONSEQUENCES	OCCURRENCE	
			PREVIOUS RESEARCH	CURRENT RESEARCH
Negative	Family	Parental fear and worry		x
		Tension caused by failure spilled over into family life	x	x
		Wobble of the role as head of family		x
		Family conflicts, because of family members rushing to help the entrepreneur		x
		His wife cannot stay home with the child, they had to send child to nursery school		x
	Spouse	Debates with spouse	x	x
		Divorce because of failure	x	
		Worrying about his spouse because she was fulfilled in the business		x
	Friendships	Declining, weakening friendships	x	x
		They are left alone, no one to ask for help	x	
		Too many regrets from friends		x
		Losing the respect of their friends	x	
		Debts overshadows friendships		x
	Wider community	Negative change in attitudes towards them in their private lives (stigmatisation)	x	
Failure to meet social expectations		x		
Neutral	General	No change in attitudes towards him/her in private relationships	x	x
	Friendships	No change in his/her friendships		x
Positive	Family	More time for the family and children		x
	Spouse	His wife was happy that he would rather be an employee than entrepreneur		x
	Friendships	Losing friends of interest		x
	Wider community	Tangential connections were transformed into friendly helpers		x

Source: own compilation with reference to previous research: Cope (2011); Corner et al. (2017); Fang He & Krähenmann (2021); Hwang & Choi (2021); Jenkins et al. (2014); Klimas et al. (2021); Repisky (2018); Riar et al. (2021); Shepherd & Haynie (2011); Simmons et al. (2014); Singh et al. (2007); Singh et al. (2015); Ucbasaran et al. (2013); Wakee et al. (2014); Wiesenfeld et al. (2008)

In the case of Interviewee 7, there were neutral (balanced) professional consequences because the entrepreneur could not respond to professional inquiries after the closure of his business. In some ways, he felt it was positive that he was still in demand, but at the same time, he had negative feelings that he could not respond.

ed. In the case of Interviewee 4, this meant an easier property distribution procedure, and in the case of Interviewee 6, the tax office procedure “*wasn't that bad; I expected much worse.*” Together, these results indicate the necessity of handling legal consequences as a separate group of consequences of failure (Table 6).

Table 5

Explored professional consequences

IMPACT	SUBCATEGORY	CONSEQUENCES	OCCURRENCE	
			PREVIOUS RESEARCH	CURRENT RESEARCH
Negative	Relationships	Termination of unfavourable business relationships	X	X
		Professional relationship network weakens	X	X
		Shaken trust in others because of betrayal		X
	Career path and business prospects	Decreased entrepreneurial intention	X	X
		Entrepreneur had to become employee after failure	X	X
		Confusion after failure about what to do next		X
		Hardship in finding new job or assignment	X	
Professional recognition	Professional devaluation (stigmatisation)	X		
Neutral	Career path and business prospects	Unable to respond to professional inquiries after closure, which caused negative feelings		X
	Professional recognition	No change in professional recognition	X	X
Positive	Relationships	Maintained good relations with former colleagues		X
		Termination of unfavourable business relationships		X
	Career path and business prospects	Serious job offers after failure		X
		Gained time for new project or other enterprises		X
	Professional recognition	Increased professional recognition	X	X

Source: own compilation with reference to previous research: Cardon et al. (2011); Cope (2011); Fang He & Krähenmann (2021); Klimas et al. (2021); Repisky (2018); Rieger et al. (2022); Shepherd (2003); Shepherd et al. (2009); Simmons et al. (2014); Singh et al. (2007); Singh et al. (2015); Ucbasaran et al. (2013); Wiesefeld et al. (2008)

Like with their private relationships, entrepreneurs were not devalued from a professional point of view, and one entrepreneur's professional recognition even increased (4). Other *positive professional consequences* were the following: an entrepreneur was offered a management position (4), one gained time for new projects (2), and one for working on another enterprise (13). In two cases, interviewees emphasized that they had maintained good relationships with their former employees (4, 9) or would even work for them again (9) (Table 5).

Legal Consequences

In prior studies, legal consequences were rarely addressed (Repisky, 2018), but in the current research, more *legal consequences* emerged: prohibition from being a CEO (8), years of litigation that required an expensive business lawyer (16), during liquidation, part of the entrepreneur's income was automatically deducted due to his debt (6), prolonged liquidation process due to a foreign subsidiary (13), and yearly returning debt collectors (15).

Surprisingly, two entrepreneurs talked about balanced, *neutral legal consequences*. Their opinion was that legal procedures were shorter and easier than they had expect-

Table 6
Explored legal consequences

IMPACT	CONSEQUENCES	OCCURRENCE	
		PREVIOUS RESEARCH	CURRENT RESEARCH
Negative	Prohibition from CEO position	X	X
	Years-long litigation, court proceeding	X	X
	Part of income is automatically deducted due to debts		X
	Prolonged liquidation due to foreign subsidiary		X
	Yearly returning debt-collectors		X
Neutral	Shorter and easier legal procedures than expected		X

Source: own compilation with reference to previous research: Repisky (2018)

Physiological Consequences

The sixth and last group of consequences are physiological ones. In the current research, only adverse effects emerged. However, eleven entrepreneurs did not mention adverse physiological effects, but based on this, it cannot be assumed that there were no negative or positive physiological consequences.

Table 7
Explored physiological consequences

IMPACT	CONSEQUENCES	OCCURRENCE	
		PREVIOUS RESEARCH	CURRENT RESEARCH
Negative	Symptoms that can be treated at home	x	x
	Symptoms that require medical supervision	x	x
	Symptoms that require hospital care	x	
	Suicide (only observable indirectly)	x	x

Source: own compilation with reference to previous research: Cope (2011); Corner et al. (2017); Hwang & Choi (2021); Singh et al. (2007); Yamakawa & Cardon (2015)

Most *negative physiological consequences* did not require hospital care: insomnia before failure (5), bad dreams due to debts (15), and morning and evening stomach cramps (1). However, the panic attacks (1, 6) and other unnamed symptoms of Interviewee 1 may suggest the need for medical treatment. One entrepreneur became physically ill and had to visit the doctor (4), although in her case, the loss of a business occurred together with a divorce, so the causality between failure and physiological symptoms is questionable. Physiological consequences can be very diverse (1): *“I felt absolutely on the floor, I became depressed, I woke up and went to sleep with stomach cramps, I had panic attacks, all kinds of physical symptoms came over me, it was really bad.”* Interviewee 14 reported that he had a friend who had committed suicide due to the bankruptcy of his business. I think it is important to include this consequence – even

though it did not happen to any of my interviewees – because it is the most severe consequence that can occur to an entrepreneur and cannot be observed directly (Table 7).

After presenting all six proposed categories of consequences of failure, a summary is shown in Figure 1, supplemented by twenty-four potential subcategories.

Potential use of proposed categorization

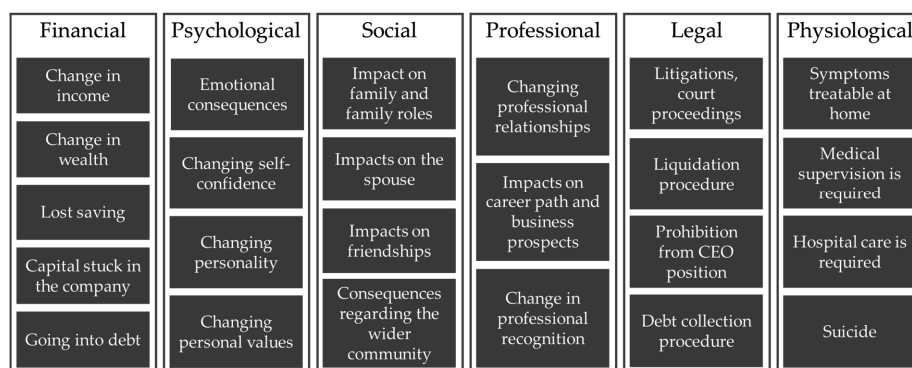
After proposing a new categorization of the consequences of failure, it is necessary to show how this can be helpful in research. Singh et al. (2007) implemented an exemplary use of their categorization of consequences. The latter not only categorized consequences but used their systemization to analyse differences in entrepreneurs’ coping mechanisms and what entrepreneurs may learn in relation to these categories. Another good example of such an approach is the study of Fang He and Krähenmann (2021), who analysed the potential connections between different categories of consequences. In the following two subchapters, two potential uses of this categorization will be presented. First, potential connections between failure categories will be analysed, similar to Fang He and Krähenmann (2021). Second, a method will be proposed for evaluating the severity of failure experiences.

Connections between failure categories

Fang He and Krähenmann (2021) write that it is essential to analyse interconnections between various consequences of failure because if entrepreneurs do not manage them in a complex way, this can cause a downward spiral, from which it will be very difficult to recover. Moreover, this research explores *root consequences* that may intensify or cause many other consequences. From the analysis of data from sixteen interviews and the theoretical background of the consequences of failure, Figure 2 shows potential connections between categories of consequences. In Figure 2, regular arrows indicate potential links according to this research (grey=one-sided connection; black=two-sided connection), and dashed arrows indicate supplementary connections based on prior studies.

1. Figure

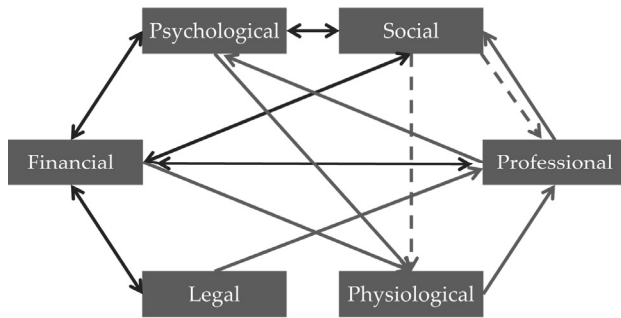
Categorization of entrepreneurial consequences of failure



Source: own compilation

Figure 2

Potential connections between consequence categories



Source: own compilation

Financial consequences can increase every other type of consequence: psychological (fear of financial security; guilt over unsettled loans from friends), social (mother can't stay home with her child; not being able to give a family 'what they deserve'; debts overshadow friendships), professional (not enough capital to start new enterprise), legal (yearly returning debt collectors) and physiological (insomnia and bad dreams due to debts; suicide due to financial loss; bankruptcy). However, financial consequences can also have positive social consequences because they lead to the end of relationships with 'friends of interest'.

Psychological consequences can have effects in three other categories: financial (attempts to avoid failure for psychological reasons), social (tension caused by failure spills over into family life) and physiological (most physical symptoms have strong psychological roots).

Social consequences can impact financial (family members and friends try to help financially, although sometimes this turns into unsettled debt) and psychological consequences (sadness because of lost friends).

Professional consequences can influence three other categories of consequences: financial (positive: job offers after failure), psychological (betrayal of business partner may be emotionally hard; negative or positive emotions due to broken business relationships) and social (e.g., an interviewee's wife was happy that in future he would be an employee, not an entrepreneur).

Legal consequences can affect financial- (deductions from the entrepreneur's income during liquidation; need for an expensive business lawyer) and professional consequences (prohibition from holding a CEO position for some years).

Last but not least, *physiological consequences* can impact the professional lives of entrepreneurs. In this research, some interviewees (1, 4) had to take a break because of their physical symptoms.

In relation to the theoretical background, most connections are confirmed and even supplemented by the current data. However, two connections between categories of consequences did not appear in the current dataset. Both of these connections are rooted in the lack of stigmatization identified in my interviews because stigmatization

was found to be a key consequence of failure in earlier research. Stigmatization can deter entrepreneurs from starting a business in the future (Cope, 2011; Fang He & Krähenmann, 2021; Jenkins et al., 2014; Simmons et al., 2014); can lead to discrimination against entrepreneurs in relation to job applications (Cope, 2011; Fang He & Krähenmann, 2021; Singh et al., 2015; Ucbasaran et al., 2013); destroy professional relationships (Fang He & Krähenmann, 2021); make it harder to build up capital in future (Ucbasaran et al., 2013) and recover from financial loss (Jenkins et al., 2014); can decrease the entrepreneur's self-confidence and risk-taking propensity (Fang He & Krähenmann, 2021); and can even lead to suicide (Yamakawa et al., 2015). Overall, it can be concluded that entrepreneurial failure has two *root consequences*: financial loss and stigmatization.

Classifying the severity of failure experiences

Another use of this categorization is evaluating failure for individual interviewees according to the categories of consequences and overall. This can contribute to more complex entrepreneurial failure studies that investigate the connection between consequences and coping, learning, or entrepreneurial re-entry. This study proposes a classification for evaluating the severity of failure (Figure 3): a positive effect is indicated in white; negative effects can be strong, moderate, or mild (shown in dark to light grey), neutral (very light grey) or balanced (also in very light grey), when negative and positive effects arise with approximately equal weight. In some cases, categories of consequences were not mentioned, or interviewees gave an evasive answer to related questions. In such cases, it was impossible to evaluate how this area had affected them (negative, neutral, balanced or positive), so these cells were left blank to avoid making such assumptions.

However, this method has limitations because most consequences cannot be quantified, and some degree of subjectivity is naturally present. Therefore, three methods were used to decrease researcher subjectivity:

1) Researcher triangulation by involving a second researcher's opinion in the case of less clear classifications.

2) Hsu et al. (2017) suggested that a similar loss of money can have severe or mild consequences for different entrepreneurs. This is why researchers should rely on interviewees' viewpoints. This idea was extended to all six categories of consequences, and each entrepreneur's reference points and life circumstances were taken into account.

3) A secondary aspect was that, in some cases, a number of mild consequences within a consequence category made it necessary to rate the whole category as moderate.

Figure 3 shows that entrepreneurs experience failure in very different ways; we cannot say there is a typical way of experiencing it, and we cannot say that it is a traumatic, very negative experience for everybody. Based on the analysis of sixteen interviews, four entrepreneurs experienced failure very negatively, three moderately, three mildly and six entrepreneurs in a neutral or balanced way. Moreover, for Interviewee 9, it was borderline whether it was positive or balanced.

Severity of consequences for each entrepreneur

	FINANCIAL	PSYCHOLOGICAL	SOCIAL	PROFESSIONAL	LEGAL	PHYSIOLOGICAL	OVERALL
1	Moderate	Strong	Mild	Mild		Moderate	Strong
6	Strong	Moderate	Moderate		Mild	Moderate	Strong
8	Strong	Strong	Mild	Moderate	Moderate		Strong
15	Strong	Strong	Mild	Strong	Moderate	Mild	Strong
4	Moderate	Strong	Balanced	Positive	Balanced	Moderate	Moderate
5	Strong	Strong	Neutral			Mild	Moderate
10	Moderate	Moderate	Mild	Moderate			Moderate
2	Mild	Mild	Neutral	Balanced			Mild
3	Mild	Moderate	Mild	Mild			Mild
12	Balanced	Moderate					Mild
7	Neutral	Neutral	Neutral	Mild			Neutral
11	Neutral	Neutral	Mild				Neutral
13	Mild	Balanced	Neutral	Positive	Mild		Balanced
14	Balanced	Neutral	Positive				Balanced
16	Mild	Neutral	Neutral		Moderate		Balanced
9	Positive	Mild	Positive	Balanced			Balanced

Source: own compilation

Another finding is that the most common consequences of failure are financial, psychological, and social. However, in half of the cases, professional consequences can occur, but legal and physiological consequences are rarer.

It is worth mentioning that those who had more than one source of income (portfolio and hybrid entrepreneurs who are also employees) at the time of failure experienced milder consequences than those who had only one business (serial entrepreneurs), which is consistent with prior research (Fang He & Krähenmann, 2021; Jenkins et al., 2014; McGrath, 1999; Shepherd et al., 2009; Simmons et al., 2014; Ucbasaran et al., 2010; Ucbasaran et al., 2013; Wennberg et al., 2010). This statement is valid in relation to three categories: financial, psychological, and professional consequences.

Summary and conclusions

The main objective of this study was to build a useable categorization system for the consequences of entrepreneurial failure. The previous chapter shows that the main objective and the four subgoals were met. The research was carried out using a qualitative, narrative research method.

The current research *contributes to the entrepreneurial failure literature* with some novel results. Prior classifications of the consequences of failure had some blank spots (primarily legal consequences), while the proposed categorization (six categories, with twenty-four subcategories) covers all explored consequences and is presented in the most transparent and detailed manner. Moreover, the literature usually focuses on negative consequences or long-term lessons as positive outcomes but rarely distinguishes consequences as negative, positive, neutral and balanced. Consequently, the current research significantly extends the list of potential positive, neutral and balanced consequences. Furthermore, evaluating categories of con-

sequences interviewee to interviewee is also a novel approach and helps shed even more light on how diversely entrepreneurs experience failure. In the current research, a non-negligible proportion of entrepreneurs experienced failure neutrally (it did not affect them significantly), or negative and positive consequences were balanced. During the analysis of potential connections between failure categories, two root consequences were identified (financial loss and stigmatization), which may have a key role in enhancing the severity of the failure. Researchers should keep in mind while designing research that some consequences can occur before failure happens (e.g. loss of savings, going into debt, and emotions like anticipatory grief).

However, as with every study, this one has some *limitations*. First, the main limitation is the reliability of interviewees' reports since entrepreneurs may not take responsibility for failure and distort related information (Cotterill, 2012); moreover, psychological factors and causal mechanisms are difficult to observe (Hsu et al., 2017) and during analysis, the researchers had to rely on what the interviewees said. The second limitation is that the research was carried out by one researcher, which can increase the subjectivity of qualitative studies. To mitigate this limitation, an experienced second researcher was consulted during the analysis. Finally, the sample is associated with several limitations: only Hungarian and mainly men entrepreneurs participated, and in several cases, a significant amount of time had passed between failure and interview, which can cause recall bias. However, in the case of hard-to-reach samples, this time lag may be acceptable, according to Corner et al. (2017).

Building on these results, there are two main directions for *future research*. First, researchers could undertake quantitative research using a large sample about how categories of consequences have mutual effects (increase

or mitigate each other's impacts). In this way, understanding why problems and consequences escalate more intensively for some entrepreneurs can be improved. Moreover, this can help to identify root consequences more precisely and formulate suggestions for entrepreneurs regarding that which consequence should they cope first. Second, this categorization system can help analyse more precisely potential connections between the consequences of failure and entrepreneurs' coping, learning, and re-entry decisions.

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