“Nine out of ten businesses fail so I came up with a foolproof plan — create ten businesses.”

Robert Kiyosaki, American author and businessman
Learning Objectives

11.1 Describe failure and its effect on entrepreneurs.
11.2 Identify several different types of reasons for failure.
11.3 Describe the consequences of fear of failure for entrepreneurs.
11.4 Explain the different ways entrepreneurs can learn from failure.
11.5 Describe the significance of “grit” and its role in building tolerance for failure.

Chapter Outline

11.1 Failure and Entrepreneurship
11.2 The Failure Spectrum
11.3 Fear of Failure
11.4 Learning from Failure
11.5 Getting Gritty: Building a Tolerance for Failure

11.1 FAILURE AND ENTREPRENEURSHIP

LO 11.1 Describe failure and its effect on entrepreneurs.

In Chapter 2, we explained the ill-defined, unstructured, unpredictable, chaotic, and complex nature of entrepreneurship. We also presented some daunting statistics showing that not all attempts to grow a business will be successful, especially when many of the attempts end in bankruptcy. The reality is that many startups fail; therefore it is important to include the topic of failure when discussing entrepreneurship.

A business failure is generally conceived as the termination of a commercial organization that has missed its goals and failed to achieve investors’ expectations, preventing the venture from continuing to operate and resulting in bankruptcy or liquidation. Failure can intensify the cognitive processes involved in learning, resulting in improvements in future performance and increasing the probability for future success. For this reason, many entrepreneurs see failure as a journey and the path by which individuals travel to develop into entrepreneurs. Having learned from failure, entrepreneurs often feel more confident, prepared, and motivated to attempt another startup venture.

Despite these perceived benefits, the failure of a venture can be not only financially costly but also emotionally painful, even traumatic. It can be experienced as the end of an intimate relationship resulting in feelings of grief and loss, leaving the entrepreneur’s self-efficacy and inclination for risk-taking in tatters.
Tom Hatten, founder and CEO, Mountainside Fitness

Tom Hatten was 22 when he first launched Mountainside Fitness in Ahwatukee, Arizona over 25 years ago. Since then, Mountainside Fitness has grown from a single strip mall entity to the largest locally owned fitness chain in the state, with 13 fitness centers (and more in the works), over 1,000 employees, and 60,000 active members.

Yet success has not come easy. Hatten learned his first hard lesson when he was still in his mid-twenties. With a great location and concept, Mountainside had gotten off to a promising start, but a competitor had moved in, offering lower fees, which Hatten could not afford to match. "At one point we had 15 days left of money to make the last payroll," he recalls. "I had to lock myself in and figure out how to keep my current members, bring in new ones, and get back those who had left." After a great deal of thought, number-crunching and hand-wringing, "I got on the phone, called 1,000 current, former, and prospective members, and offered memberships that were $3 higher than my currently advertised rates." The hook was to introduce a loyalty program: The longer a member stayed, the more his or her fees dropped, eventually shrinking to $24 per person, which was well below the competition. "Not only did we avoid going under, we were making money by the end of the year...Failure wasn't there yet," says Hatten, "but it was coming fast."

Ten years later, Hatten found himself staring down disaster yet again. "We were growing faster than my reserves would allow. I had several clubs under construction, and I was going to run out of operating money, because I didn't have a plan in place for growth." He came away with a new resolution: to never grow without planning first, no matter the momentum, or temptation. "Growing too fast and not staying focused caused setbacks. Today plans must be in place and measurable. Those and only those dictate tomorrow—not emotions."

By 2008, business was going so well it was time to grow again—this time, with a solid plan. Between Arizona and Colorado, five Mountainside Fitness clubs were under construction, to the tune of $35 million total. That's when "my CFO called; she said that our bank had frozen or cancelled the forward commitments to pay for all the equipment. I was on my cell phone, watching them unload it from the truck. The greatest American financial crash since the Great Depression was underway, and though his credit was excellent, banks nationwide were panicking. It wasn't long before Hatten's other lines of credit were yanked out from under him.

"The actual clubs were doing quite well, but my operation simply couldn't withstand $11 million credit cut," says Hatten. He was forced to declare bankruptcy for Mountainside, and because all of his business loans were personally backed, he had to file for personal bankruptcy as well. "I thought to myself, 'If I'm going to file bankruptcy—I've got to leverage it into something good, so how do I do it?' We knew values of all the buildings were shooting down. The banks were taking a huge hit too. I basically said them, 'just because I'm going down, and everyone's going down, I don't want to hose you, but if you don't negotiate with me, that's what's going to happen, because I can't pay on these current terms'." With deals in place with his main banking institutions, "they held my hand as I went to everyone—the vendors, the landlords—to reset everything. With the landlords, instead of paying 18 bucks a square foot, I renegotiated to 8. Then we walked, sometimes hand in hand too, to their bank to renegotiate their terms." At one point in 2012, the Mountainside Fitness parent operation was valued at 0, and Hatten, too, had 0 in the bank, with $1.5 million due in attorney fees. One partner disappeared, while the other committed suicide. Tom was left with all ownership, the debt, the responsibility. Then he was offered an out. "One of my massive competitors approached me—and I knew at this point, I was going to file for personal bankruptcy, though no one else knew—and they wanted me out of Arizona," Hatten recalls. "They gave me an offer that was so lucrative, neither I nor my kid would ever have to work again. I knew the value of my business at the time was 0; this was 90 days before filing for bankruptcy. But I turned them down. I had started with $2,000 and a dream. And I wasn't done. I needed to get us through it. I felt like I would be quitting, and I didn't do this to be a millionaire." He salvaged what he could of the situation (and his pride) by taking charge of what he could.

Hatten is a millionaire today, and still at the helm of Mountainside Fitness, which despite its struggles remains the largest and most successful fitness franchise in the state. Though Hatten’s experiences may be somewhat extreme, they offer a lesson in what is possible when one faces adversity with humility, perseverance and a willingness to learn and to grow. "Don’t be afraid of the unknown," he says; "embrace the reality of...how much is possible to overcome if you’re passionate about what you’re doing. If you’re willing to work very hard and be patient for success and never ever give up, it will happen!"

CRITICAL THINKING QUESTIONS

1. Tom Hatten turned down a lucrative offer from a competitor even though his business had failed and he was facing bankruptcy. Do you think he made the right choice? Why or why not?

2. What positive or constructive lessons can you derive from Hatten’s story?

3. Imagine one or more failure scenarios for a business of your own. How do you think you would respond to the threat of failure?
Big failures (or “epic fails”) in business are the ones we hear about the most. Bankruptcy or forced sale is probably the biggest failure for a startup. Social network Friendster is a good example of an epic fail. Founded by Jonathan Abrams in 2002 (the year before MySpace and two years before Facebook), Friendster is often credited with kicking off the era of social networks. Just a year after it was launched, Google offered Abrams $30 million to buy the company, but Abrams turned down the offer. Not long afterwards Abrams was pushed out as CEO by the board of directors because of his lack of experience in running a company. A few years later, Friendster collapsed due to technical glitches and failure to keep up with the competition as its users moved on to MySpace and Facebook. Friendster was eventually acquired by one of Asia’s biggest internet companies, MOL Global, and went on to operate as a social gaming site.

While technical glitches and failure to keep up with the competition were the main causes of Friendster’s downfall, we can usually find many reasons behind the closure of a startup. Contributing factors often include lack of market need, poor marketing, and loss of focus. Figure 11.1 lists the most common reasons behind the failure of startups.
TABLE 11.1
Entrepreneurs Share Their Reasons for Failure

<table>
<thead>
<tr>
<th>PSYCHE “MISTAKES”</th>
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<tbody>
<tr>
<td>&quot;Fear.&quot; - Philip Rosedale, Founder, High Fidelity, Inc. &amp; Second Life</td>
<td>&quot;Letting opinions cloud your purpose.&quot; - Scott Lewallen, Founder, Grindr</td>
</tr>
<tr>
<td>&quot;Trusting by default.&quot; - Jay Adelson, Chairman &amp; Founder, Opsmatic</td>
<td>&quot;Not believing in myself was the biggest mistake I made as an entrepreneur.&quot; - Sam Shank, Cofounder/CEO, HotelTonight</td>
</tr>
<tr>
<td>&quot;Spending too much time worrying about competition and not enough time making what I’m building amazing.&quot; - Brenden Mulligan, Founder/CEO, Cluster Labs</td>
<td>&quot;Thinking that entrepreneurship was the most meaningful part of my life.&quot; - Mick Hagen, Founder, Zinch.com, Spatch, Undrip.com &amp; Mainframe</td>
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<table>
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<tr>
<th>WAITING TOO LONG MISTAKES</th>
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<tbody>
<tr>
<td>&quot;My biggest mistake as an entrepreneur was waiting too long to start.&quot; - Jason Nazar, Founder, Docstoc.com</td>
<td>&quot;Not pivoting soon enough.&quot; - Peter Kazanjy, Founder, TalentBin</td>
</tr>
<tr>
<td>&quot;Waiting to see if a problem would resolve itself.&quot; - Joshua Forman, Cofounder, Inkling</td>
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<table>
<thead>
<tr>
<th>HIRING MISTAKES</th>
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<tr>
<td>&quot;Getting the wrong people on the bus was the biggest mistake I made as an entrepreneur.&quot; - Hooman Radfar, Partner, Exp &amp; Founder, AddThis</td>
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It is also useful to hear how entrepreneurs themselves articulate the underlying reasons as to why their startups failed. Table 11.1 provides examples of entrepreneurs who attribute their failures to three main causes: their psyche, inaction, and hiring issues.

However, there is an important difference between big failures and small failures. No one wants or even expects catastrophic failure such as bankruptcy, but all entrepreneurs experience countless small “fails” that require quick a reaction and sometimes a change in direction, often known as the pivot. A small fail is an event—an obstacle to overcome to get through the other side—whereas a big fail like the collapse of a business is a process that unfolds over time; it is more personal and can be more difficult to recover from.

The most successful entrepreneurs embrace and leverage failure and pivot when they need to—a key component of the entrepreneurial mindset which we presented in Chapter 2 and have built upon throughout this book. Recall from Chapter 2 that Barbara Baekgaard and Pat Miller, the founders of the luggage design firm Vera Bradley, did not view ordering the wrong size zippers as a failure but rather as an
opportunity to design a new bag that would work with the larger zipper. This is a good example of how failures can be opportunities to build on what you learn. By following the eight components of the practice of entrepreneurship (outlined in Chapter 2) you are more likely to embrace setbacks rather than allowing them to defeat you.

Small failures are considered the “valleys” in the entrepreneurial journey which include the setbacks, the missteps, the ill-planned experiments, the misplaced decisions—all manageable events that can help you build on what you learn. This ties with the key points of the practice of entrepreneurship—the observation that small, reversible, informative failures along the way can highlight key issues and set you on a better path to success. The point is that if we can expect and embrace the learning from the small failures, then perhaps we can mitigate the risks of the big failures.

11.2 THE FAILURE SPECTRUM

LO 11.2 Identify several different types of reasons for failure.

Amy C. Edmondson, a professor of leadership and management at Harvard Business School, believes that failure ranges from big to small along a failure spectrum (Figure 11.2). While many of us link the admission of failure with taking the blame, Edmondson believes that not all failures are blameworthy; her spectrum of failures runs from blameworthy to praiseworthy. Some of the reasons for failure on the spectrum are indeed blameworthy. For example, entrepreneurs who intentionally violate certain rules and regulations (“Deviance” at the top of the spectrum) are more likely to have failed businesses as well as a tarnished reputation. However, not all of the failures in the spectrum are bad—in fact, many of them are at least preventable or even praiseworthy. Someone who doesn't have the skills to do a job can receive more training; processes can be monitored and refined; and “failed” hypotheses and exploratory testing can be opportunities to expand knowledge, iterate, and set the scene for different, better approaches.3

Despite our misgivings about failure, it is not always bad. The failure spectrum describes situations that may be perceived as failures, yet can sometimes have positive rather than negative outcomes. The factors listed on the spectrum are discussed here.

Deviance

An entrepreneur defies legal and ethical boundaries leading to mismanagement of the venture. Napster is a good example of a company that demonstrated deviance from social norms, as well as its defiance of legal and, some say, ethical boundaries. Founded by Shawn Fanning and Sean Parker in the late 1990s, the music-sharing website allowed users to swap music for free, enraging musicians all over the world. When the band Metallica took Napster’s founders to court, other musicians followed suit and Napster eventually collapsed under the weight of the lawsuits, filing for bankruptcy in 2001.4

Inattention

An entrepreneur gets sidetracked from the core business—either in a new business direction or by delegating too much too soon without following up. Entrepreneur
Jason DeMers became sidetracked from his main business, AudienceBloom, a social media marketing firm, by turning his attention to a new startup. As he became more involved with the new venture, his original company stopped growing, as he did not have enough resources to run two companies. The new venture failed and DeMers went back to working on AudienceBloom full time. This incident helped DeMers realize that a “successful venture requires 100% attention, focus, and effort.”

Lack of ability

The entrepreneur is overextended and lacks the skillset to get the job done. He or she may have been good at the start, but as the business grew more skills were needed. It is very common for companies to outgrow their founders because the founders lack the skills and abilities to get the company to the

FIGURE 11.2

The Failure Spectrum

<table>
<thead>
<tr>
<th>Reason for Failure</th>
<th>Description</th>
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<tbody>
<tr>
<td>Deviance</td>
<td>An individual chooses to violate a prescribed process or practice.</td>
</tr>
<tr>
<td>Inattention</td>
<td>An individual inattentionally deviates from specifications.</td>
</tr>
<tr>
<td>Lack of Ability</td>
<td>An individual doesn’t have the skills, conditions, or training to execute a job.</td>
</tr>
<tr>
<td>Process Inadequacy</td>
<td>A competent individual adheres to a prescribed but faulty or incomplete process.</td>
</tr>
<tr>
<td>Task Challenge</td>
<td>An individual faces a task too difficult to be executed reliably every time.</td>
</tr>
<tr>
<td>Process Complexity</td>
<td>A process composed of many elements breaks down when it encounters novel interactions.</td>
</tr>
<tr>
<td>Uncertainty</td>
<td>A lack of clarity about future events causes people to take seemingly reasonable actions that produce undesired results.</td>
</tr>
</tbody>
</table>

next level. In some cases, the founders either can’t or won’t develop the necessary skills to develop the organization, and may have to step aside as a result.\(^6\)

For example, founding CEO Kyle Sandler of online media publication *Nibletz: The Voice of Startups Everywhere Else*, admitted that he didn’t have the skills to grow the company. Sandler stepped down as CEO in favor of his co-founder, Nick Tippman. Referring to the transition, Tippman said, “It’s hard to step away from the role that you once had and understand that as the business grows that maybe your skill sets don’t fit where they used to.”\(^7\)

**Process inadequacy**

The wrong (or lack of) processes are set up in the organization so communication breaks down among employees and things begin to fall through the cracks. *Shaun Swanson, Mark Cicoria, and Mark Johnson* are the founders of Ayloo, an online and mobile shared forum to broadcast events and interests in a particular city. Johnson believes lack of communication was one of the reasons that the startup failed: “Communication was a problem. We butted heads a lot. Shaun would come up with these big ideas and I would try to be reasonable, but he thought I was shooting him down.”\(^8\)

**Uncertainty**

Lack of clarity about future events can cause entrepreneurs to take unreasonable actions. Today Gary Swart is a venture partner at Polaris Partners, but his first business was Intellibank, which he describes as “sort of like Dropbox done wrong.” Swart believes Intellibank failed because he and his team lacked focus and certainty about how to define the startup and where it was going. “We failed because we tried to go too broad. We were trying to be all things to all people. …We were pivoting so often for different types of customers that we completely lost the big picture.”\(^9\)

**Exploratory experimentation**

Market tests are conducted to get early feedback and acquire important learning and information. Some of these tests may fail miserably. Jim Belosic, founder of self-service app building tool ShortStack, believes that experimentation is crucial for learning. “Most people see the word *failure* and think ‘unrecoverable’. Instead, I see failures as mini test results. I tried something, it didn’t work, so let’s gather up what we learned and try again. I’ve never let my business get to a point of failure, I’ve set my guidelines and pivot if we start heading towards something that’s failing.”\(^10\)

As Figure 11.2 illustrates, there are different kinds of failures. Some failures are small, adjustable, informative, linked to bigger goals, and designed to highlight key issues. Others involve rigid thinking, discouragement, and may result in reputational damage.\(^11\) Whatever the type or reason for the failure, the most important part for entrepreneurs comes from the lessons they learn from it.

### 15.3 FEAR OF FAILURE

**LO 15.3** Describe the consequences of fear of failure for entrepreneurs.

Despite the learning and opportunities that may arise from perceived failures, many of us view failure in a negative way and try our best to avoid it. This is because the concept of failure provokes an emotional reaction or anti-failure bias which inhibits us from learning from the experience. This causes us to put the failure out of our minds rather than tackling the reasons behind it.\(^12\)
Learning from Failure

When a business is making a profit and employees are happy it’s easy to be ethical. But when revenue and funding are insufficient to acquire necessary resources or meet debt obligations such as employee compensation or investor repayment, there is a higher temptation to neglect ethical responsibilities.

Ben Huh was a 22-year-old student majoring in journalism when he managed to cobble together $750,000 from investors to found Raydium, a software analytics firm, in 2000. Less than two years later the dot-com bubble burst and Raydium’s funding dried up. Huh had previously worked at startups, but he had no experience in raising capital—a lack that stood out starkly as he realized he had exhausted external investor funding and was unable to meet payroll. Huh later reflected on his sense of failure: “These investors had put a fortune on their faith in me, and you feel like you should have rewarded their faith.”

With his sense of self-esteem at stake and employees and investors relying on Huh, he had to struggle with emotions and try to make a rational evaluation of several paths he could take. He could mislead employees and investors about the enterprise’s financial circumstances while he attempted to increase sales or find other funding alternatives. He could close the business, lay off employees, declare bankruptcy, and liquidate the assets. He could throw his meager personal assets into the firm in an effort to postpone bankruptcy.

CRITICAL THINKING QUESTIONS

1. How would you decide which course of action is the right one if you were Huh?
2. How difficult is it to remove the emotional aspect of decision making in order to make the most ethical decision?
3. Do you believe there are reasons why an entrepreneur might “deserve” to fail, or “need to learn a lesson the hard way” through failure? If not, why not? If so, give some examples.

Sources

It is not surprising that we never hear much about the emotions of failure (pain, humiliation, shame, guilt, self-blame and anger—often associated with grief) that entrepreneurs experience when their businesses goes under. Expressing these emotions is often too much to bear as admitting our failures can be emotionally unpleasant and damage our self-esteem.

Mikkel Svane, founder of software company Zendesk (his third startup), believes failure is a tough thing to recover from because of these unpleasant emotions, “Not being able to pay your bills is a terrible thing. Letting people go and disappointing them and their families is a terrible thing. Not delivering your promises to customers who believed in you is a terrible thing. Sure, you learn from these ordeals, but there is nothing positive about the failure that led you there.”

However, it is only by managing these emotions that entrepreneurs can begin the process of learning from failure. But this is not an easy process; sometimes we would
rather blame others or external events for failures in order to maintain our self-esteem and sense of control.

For entrepreneurs, failure is especially difficult because it is hard to separate personal failure from professional failure given how closely associated the identity of the business is tied to the identity of the entrepreneur. Featured entrepreneur, Tom Hatten, founder of Mountainside Fitness is a good example of an entrepreneur who is so emotionally attached to his business that he is willing to persevere rather than let it go.

What Tom Hatten, Mikkel Svane and many successful entrepreneurs have realized is that it is acceptable and human to try and fail. Feelings of doubt, uncertainty, frustration, and a yearning for help are all perfectly normal. Svane believes that it is possible to recover and learn from failure when we feel comfortable enough to make and admit our mistakes; in which case “failing is ultimately just another step on the road to success.” Yet, before entrepreneurs are able to move forward or even start their businesses, they need to first overcome their fear of failure.

As we have learned, fear of failure can be a major impediment to seizing opportunities and transforming entrepreneurial objectives into real action. While many of us have a degree of fear of failure, some have a higher level than others. Researchers have suggested that the origins of fear of failure may lie in parent-child relations. For example, a child is likely to have a higher fear of failure if he or she is punished for failures and receives little or neutral praise for successful achievements. Studies also suggest that there is a connection between high parental expectations and a child’s fear of failure, as well as other factors such as maternal irritability and paternal absence.

Overall, studies show that individuals who are raised to believe that failure is unacceptable and has negative consequences, will go out of their way to avoid failure. This means that rather than seeing mistakes as opportunities to learn and improve skills, or to compete against others, they will view them as threatening and judgement-oriented experiences. Here, failure is associated with shame—a painful emotion that many of us will avoid—even if it means losing out on lucrative opportunities. Avoiding the potential to make mistakes, stunts the growth and maturity of individuals with a high fear of failure, which only leads to more mistakes and failures over time. Understanding that failure is an important part of growth and learning is a vital lesson for entrepreneurs who want to succeed in their personal and professional lives.

People with a strong fear of failure tend to be anxious, lack self-esteem, and demonstrate reluctance to try new things. Table 11.2 illustrates some symptoms of fear of failure.

Once you establish the extent of your fear of failure, you can begin to develop some coping strategies to deal with it. First, you can reframe specific goals so they become more achievable; for example, rather than setting a goal of earning $100,000 from a new product launch, you can expand the goal to also focus on what you learn from launching a new product. That way, even if the product does not meet its monetary target, you will not feel you have failed as you have already committed to learning something of value from the experience. This ties in with the concept of acceptable loss outlined in the practice of entrepreneurship.
Grief and Business Failure

There is a strong emotional relationship between entrepreneurs and their businesses. Many entrepreneurs often describe their businesses as their “baby.” Often the business is not about personal gain but rather a personal belief or loyalty to the product or service, together with the entrepreneurial desire to grow and demonstrate skills and abilities.

Studies carried out by Dean A. Shepherd, Professor of Management and Entrepreneurship at the Kelley School of Business, Indiana University show that entrepreneurs who experience the loss of a business can suffer similar symptoms to grief (anger, guilt, self-blame, distress, and anxiety). This negative emotional response impedes their ability to learn from the loss. Researchers have suggested that entrepreneurs who have suffered big failures such as bankruptcy may benefit from the steps involved in a grief recovery process. The entrepreneur would need to be aware that the feelings they are experiencing are normal, which may help to minimize feelings of shame and embarrassment; this may encourage the entrepreneur to articulate their feelings of grief which may help to quicken the recovery. Researchers also proposed a coping model where the griever oscillates between two grieving strategies (a dual process of grief recovery) to speed up the healing process. The first strategy involves focusing on analyzing what went wrong in order to process information about the business loss; while the second part of the process shifts the focus to the entrepreneur thinking about other aspects of his/her life in order to distract him or herself from the loss. When entrepreneurs alternate between these two processes, they have a better chance of learning to regulate their negative emotions, which allows them to recover enough from the loss to see the opportunities for growth and learning, and to move forward.

Dean A. Shepherd says, “We have to realize that when we pursue opportunities, the opportunity exists only because there’s uncertainty, and failure is a high possibility. It’s normal to have a negative emotional reaction to the loss of a project or a new business. While time does heal all wounds, we can do something to speed the process. The way you approach the failure—before and after—can impact how quickly you recover, how much you learn, and how willing you are to try again.”

CRITICAL THINKING QUESTIONS

1. Would you agree that entrepreneurs have an emotional connection to their businesses? Why/Why not?
2. How do you think the grief recovery process can help entrepreneurs overcome the loss of their businesses?
3. What steps would you take to get over the loss or failure of a business?

Second, if the product failed to generate as much revenue as you would like, it is helpful to separate your personal feelings from facts, so instead of thinking “I feel terrible because I have failed” you can ask yourself, “What did I learn from this experience?” and “What are the positive things about what happened?”

Third, many of us try to suppress the emotions associated with fear, but by deliberately allowing yourself to feel the fear, you are more likely to diminish the fear of failure. Taking deep breaths for two minutes is a useful exercise to shift negative feelings and trigger a calm response.

Finally, a good way to deal with your fear is to seek support from the role models in your life. For example, Arianna Huffington, founder of the Huffington Post, credits her mother for her positive attitude towards
Failure: “My mother instilled in me that failure was not something to be afraid of, that it was not the opposite of success. It was a stepping stone to success. So I had no fear of failure. Perseverance is everything. I don’t give up. Everybody has failures, but successful people keep on going... She was my life mentor.”

Global Fear of Failure

A strong fear of failure is often rooted in one’s national culture. The Global Entrepreneurship Monitor report (GEM) measures fear of failure on a global level according to country. When you look at this on a map, you can also recognize regional differences. The GEM failure rate is based on those who admit to perceiving opportunities to start a business but feel prevented from acting on those opportunities due to fear of failure. The lower the percentage shown on the map, the lower the fear (see Figure 11.3).

Overall, different countries and the cultures associated with countries had different tolerances for failure, but perhaps not as much difference as you would think. For example, fear of failure is lowest in Africa, Latin America, and the Caribbean. In contrast, fear of failure is highest in Asia, Oceania and Europe. In particular, fear of failure was lowest in Barbados and Senegal (less than 16%) and highest in Kazakhstan (76%). In the US, while the fear of failure rate is lower than most of the Asian, Oceanic, and European countries, it is still higher than less developed countries such as Cameroon, Botswana, and Senegal.

How does fear of failure influence our ability to spot opportunities and act on them? To find the answer, GEM also assessed the personal perceptions about entrepreneurship experienced by people between the ages of 18 and 64 in different economies (see Figure 11.4). The study focused on three types of economies across 60 countries:

### TABLE 11.2

1. Failing makes you worry about what other people think about you.
2. Failing makes you worry about your ability to pursue the future you desire.
3. Failing makes you worry that people will lose interest in you.
4. Failing makes you worry about how smart or capable you are.
5. Failing makes you worry about disappointing people whose opinion you value.
6. You tend to tell people beforehand that you don’t expect to succeed in order to lower their expectations.
7. Once you fail at something, you have trouble imagining what you could have done differently to succeed.
8. You often get last-minute headaches, stomach aches, or other physical symptoms that prevent you from completing your preparation.
9. You often get distracted by tasks that prevent you from completing your preparation which, in hindsight, were not as urgent as they seemed at the time.
10. You tend to procrastinate and “run out of time” to complete your preparation adequately.

1. factor-driven economies (countries that use unskilled labor and natural resources to compete with other countries, such as India);
2. efficiency-driven economies (where economic growth is dependent on more efficient production processes, higher wages, and better product quality, such as Poland, Estonia, Chile); and
3. innovation-driven economies (countries that compete by producing innovative products and services, such as the US, the UK, South Korea, Japan, and Singapore.

The GEM study focused on how people’s personal perceptions in these three economies have influenced their decision to start a business. These perceptions include the extent to which people see opportunities around them to start a business (perceived
opportunities); how capable they think they are of starting a business (perceived capabilities); how many people would feel constrained by their own fear of failing (fear of failure); and the degree to which those capable of starting a business may intend to do so over the next three years (entrepreneurial intentions).

As Figure 11.4 illustrates, people in the factor-driven economies have the highest entrepreneurial self-perceptions, with over half seeing opportunities to start a business and feeling they have the capabilities to do so; both of these factors lead to high entrepreneurial intentions. In contrast, perceived opportunities are lower in efficiency-driven economies, and people in these economies have a lower rate of perceived capabilities and fewer intentions to start a business. The innovation-driven economies score the lowest on self-perception, particularly in the area of entrepreneurial intentions. While people in these economies may perceive opportunities and score relatively high in perceived capabilities, very few intend to take the next step into entrepreneurship. Some of the reasons for this may lie in lack of confidence, cultural differences, types of skills, the level of entrepreneurship education, and different types of businesses that exist in the economy. For example, many business are started in Africa for sustenance and survival whereas many businesses in the US are high-tech. These different businesses require different levels of skills, which may account for differences in perceived capabilities.

Yet, despite the differences between the economic groups, Figure 11.5 shows similar fear of failure rates across the different types of economies. The question then becomes, what makes some people act when others don’t, even if their fear of failure is almost the same? The answer lies in how we manage failure and our ability and willingness to learn from it.

CHAPTER 11  LEARNING FROM FAILURE

YOU BE THE ENTREPRENEUR

One of the most vital stages any entrepreneur can experience is failure. People learn from failure and those in business know that from failure comes knowledge, which is sometimes worth more than success. Steve Blank, founder of Rocket Science Games and Epiphany, knows all too well about what it is like to fail. He found that some failed business ideas can lead to much better opportunities.

Steve Blank started the video gaming company Rocket Science in 1995 and everyone thought it would revolutionize the industry. But shortly after his company was founded, he made a phone call to his mother saying that he was about to lose $35 million in investor funding, which threatened to ruin his business. Blank had many choices on what to do, one of them being to quit.

What Would You Do?


15.4 LEARNING FROM FAILURE

**LO 15.4** Explain the different ways entrepreneurs can learn from failure.

As shown by the statistics we presented in Chapter 2, the reality of entrepreneurship is that businesses do fail, which is why it is important for aspiring entrepreneurs to learn from others who have experienced failed businesses. Learning from others can help them, not only in taking steps to preventing it happening to them, but also to understand how to take valuable lessons from failure. As we have explored, the use of the term failure evokes fear that discourages entrepreneurs from trying again or attempting new approaches.

In Chapter 7 we introduced experimentation and described how each “failed” experiment is an opportunity to build our knowledge and increase evidence. Jeff Bezos, founder of Amazon.com, is a big believer in experimentation, especially when it comes to learning from failures. “I’ve made billions of dollars of failures at Amazon.com,” he said. “Literally billions. … Companies that don’t embrace failure and continue to experiment eventually get in the desperate position where the only thing they can do is make a Hail Mary bet at the end of their corporate existence.”

Experimentation is about trying something, seeing what happens, learning from it, and then moving forward, adapting or pivoting based on those findings. The goal of experimentation is not to conduct the “perfect” experiment, but to see it as an opportunity for further learning and better decision-making rather than a series of failed tests.

In this context, perhaps it would be better to reframe the term “failure” as “intentional iteration”—a process which involves prototyping, testing, analyzing, and refinement. This may encourage entrepreneurs to perceive failure as simply process of experimenting and learning from the setbacks, false starts, wrong turns, and mistakes, which will in turn help them develop the skills they need to tackle potential obstacles that may lie ahead.

This process of “intentional iteration” involves making intelligent failures—good failures which provide valuable new knowledge that can help a startup innovate and stride ahead of its competition (see Figure 11.6). Intelligent failures take place when experimentation is deemed necessary in order to find answers in situations that have never been explored before. Designing a new, innovative product, or testing consumer reactions in an untapped market are all tasks that may result in intelligent failures. With the right kind of experimentation, entrepreneurs can produce quick failures with positive results.
For example, global design firm IDEO (discussed in Chapter 6) benefited from intelligent failure when it introduced a new strategy-innovation service for its clients. This meant that rather than helping clients to design new products within their own product range, which was IDEO’s usual approach, the new service would help clients create new lines which would take them in new directions.

Before publicly rolling out the new service, IDEO tested it with one of its clients, a small firm that sold mattresses. The project failed: The firm was not convinced enough by IDEO’s new service to change its product strategy to create new lines. However, rather than canceling the new service, IDEO took the time to learn lessons from the failure and figure out what went wrong.

In the end, IDEO hired people with MBAs who could help clients think strategically and even included clients’ managers in the team. The result of IDEO’s intelligent failure? IDEO’s strategy-innovation service now accounts for over one third of its revenues. The IDEO example shows how a company can learn important lessons from small failures in order to achieve big success.

Lessons Learned by Successful Entrepreneurs

We began this chapter with a quote from Robert Kiyosaki—“nine of ten businesses fail; so I came up with a foolproof plan—create ten businesses.” But what does this plan actually look like in real life? Kurt Theobald is the co-founder and CEO of e-commerce firm, Classy Llama—the 11th of ten failed startups over the course of five years. Despite 10 failures behind him, Theobald learned valuable lessons and persevered until he achieved success. Table 11.3 lists some of the lessons he learned along the way.

Theobald learned some valuable lessons from his 10 failed businesses which helped him to finally succeed with his eleventh new venture. Yet, Theobald is only one of many entrepreneurs who have been knocked down, only to come back even stronger. Table 11.4 describes more lessons learned by successful entrepreneurs who have made mistakes.

Building a Blame-Free Environment

Many of us are guilty of playing the “blame game” when things don’t go our way. Music entrepreneur Pharrell Williams struggled with accepting the failure of his 2006 album.
Beware of "shiny object syndrome"  Theobald admits he was guilty of pursuing multiple opportunities that came his way, but failed to be strategic about it, which led to many failures. He suggests that all entrepreneurs need to be strategic about pursuing opportunities, and to understand how to identify the right opportunity at the right time.

Fail Fast…but not too fast  While failing fast is useful when it comes to warding off really big failures, Theobald also advises against giving up too soon. He admits that sometimes he was too impatient to stick out his past businesses, when he should have tried different things to get the formula right.

Find your formula  One of Theobald’s businesses failed because he hadn’t worked out the exact formula—the fundamental underlying method of why a business is viable. In the end, there wasn’t enough revenue coming in to sustain the startup and Theobald was forced to file for bankruptcy.

Know who you are  Theobald believes that entrepreneurs who know who they really are have a better chance at success as they are better equipped to deal with failure. He explains, “I wrote two things in my journal: One, when I fall, I am getting up. Every single time. And two; I get up because it’s who I am as an entrepreneur. Therefore to not get up is to betray who I am. And so that’s what kept me going through all the failure. You can’t stop. You don’t really have a choice because if you choose that then you might as well sacrifice your whole life.”

Find your deeper purpose  Theobald believes that entrepreneurs must have a deeper purpose to cope with failure—a deeper reason for starting and growing a business other than potential wealth, and the freedom of working for themselves. He cites Steve Jobs’ return to Apple (Jobs demanded only a $1 salary) as an example of an entrepreneur with a deeper purpose who prioritized changing the world with his products, over money.

Focus on others  Being an entrepreneur is not about you, but about focusing on others—your customer, team member, supplier, stakeholders—and helping them succeed. This is not about giving up control, but rather sharing it with others. Remember the more value you give, the more you get back. By shifting your thinking to others, the people around you will be more likely to help you resolve problems and overcome obstacles.

Recognize when your approach is wrong  Many of Theobald’s businesses failed because he was using the same approach every time. He quotes a mentor who advised, “Nothing’s going to give if you keep doing the same thing you’ve been doing. If you keep banging your head against the concrete wall, the wall doesn’t suddenly give way. Instead, you end up knocking yourself out. You need to pick a different approach.”

Similarly, important lessons could be learned from failures that lead to the demise of many startups by building blame-free cultures that encourage people to share, accept, learn from, and recover from failure. To do this, employees in a startup would also need to feel assured that they will not receive a negative reaction when they admit mistakes. When people feel comfortable enough to report failures, there is an opportunity for the team to work together towards understanding and analyzing what went wrong, and to explore new approaches in order to prevent the same thing from happening again.

The key to building a blame-free culture is to communicate clearly what sorts of failures are acceptable and unacceptable. For example, lack of commitment, reckless conduct, violation of laws or standards, negligence, or wasting resources would be deemed unacceptable; whereas small fails that tend to occur through new innovation experimentation would be regarded as acceptable.

Founding entrepreneurs also need to be open about their own knowledge limitations, and admit the mistakes they have made in the past. This degree of openness encourages the rest of the team to be just as open and more willing to admit mistakes when they happen. Derek Sivers, Founder of online music retailer CD Baby, is a big believer in protecting company culture. He admits there was a time when he blamed his employees for “turning against him” as they prioritized their benefits and entitlements over the well-being of their clients. Later, however, Sivers realized he was to blame for a toxic culture: “I realized it was all my fault. I let the culture of the company get corrupted. I ignored problems instead of nipping them in the bud.” Having learned from this experience, Sivers now believes that in a startup, followers must be treated as equal to leaders in order for the team to work well together.

In essence, founders must give careful thought to making demands, giving orders, overruling thoughtful decisions, shooting the messenger, and assigning blame in order to build a culture where people feel comfortable enough to share bad news and make the right choices.

John Danner is an author and senior fellow at the University of California at Berkeley’s Institute for Business Innovation in the Haas School of Business. Like Sivers and others we have described earlier, Danner also believes that failure in organizations should not be treated as a “regrettable reality,” but rather as “a strategic resource—one that can help you make better decisions, create a more trusting and higher-performing culture and accelerate your company’s growth and innovation.”

11.5 GETTING GRITTY: BUILDING YOUR TOLERANCE FOR FAILURE

> LO 11.5 Describe the significance of “grit” and its role in building tolerance for failure.

Angela Lee Duckworth is a psychologist at the University of Pennsylvania who has spent over a decade researching how character relates to achievement. Traditional wisdom leads us to believe that talent—as measured by things like IQ, SAT, and GMAT scores—is a predictor of achievement. Yet, Duckworth found something different. She identified “grit” as a trait that supersedes traditional methods of measuring talent.

According to Duckworth, grit is the quality that enables people to work hard and sustain interest in their long-term goals. Grit is also related to resilience, not just in the face of failure, but in perseverance to stick to long-term commitments and goals.

One of the first studies Duckworth carried out to show the relationship between grit and high achievement took place at the United States Military Academy at West Point—one of the most selective and rigorous military training facilities in the nation,
TABLE 11.4

Five Lessons Learned from Entrepreneurial Mistakes

<table>
<thead>
<tr>
<th>1. Reason for failure: “We wasted $1,000,000 on a company that never launched”</th>
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<tbody>
<tr>
<td>Hiton Shah, Co-Founder of KISSmetrics, person-based analytics firm, and analytics firm Crazy Egg.</td>
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<tr>
<td>Prior to launching KISSmetrics, Shah and his co-founder spent $1,000,000 on a web hosting company that never launched because they were too focused on building the best product in their eyes, rather than considering what customers wanted.</td>
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<tr>
<td>Lesson learned: Both co-founders have learned how to spend smart, optimize for learning and focus on customer satisfaction.</td>
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<tr>
<th>2. Reason for Failure: “We built the website first and asked our customers about it later”</th>
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<tr>
<td>Robin Chase, Co-Founder of Zipcar, and founder of Buzzcar.</td>
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<tr>
<td>Similar to Shah’s mistake, Chase did not have a clear understanding of what customers wanted before he spent money on the website for GoLoco—the online ridesharing site that was built before Zipcar.</td>
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<tr>
<td>Lesson Learned: When it came to building Zipcar, Chase ensured he understood customer needs prior to launching.</td>
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<tr>
<th>3. Reason for Failure: “I built a product without understanding the market or the users”</th>
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<tbody>
<tr>
<td>Sandi MacPherson—Editor-in-Chief, Quibb</td>
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<tr>
<td>MacPherson made the mistaking of spending “6 months building a product I wouldn’t use very often, in a market I wasn’t familiar with, for users I didn’t understand—big mistake.” In short, MacPherson end up creating a product that nobody wanted.</td>
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<tr>
<td>Lesson learned: MacPherson realized that she was not a product expert which she believed was an important skill for a founder/CEO.</td>
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<th>4. Reason for Failure: “I tried to do it all by myself”</th>
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<tr>
<td>Leo Laporte—Founder of the TWiT network</td>
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<tr>
<td>Lapote made the mistake of thinking he could run his startup all by himself. “As a founder I felt like I knew everything I needed to know about media, content, even the technology involved to reach my audience. And I did. I just didn’t know anything at all about making a viable business: finance, marketing, advertising, and human resources.”</td>
</tr>
<tr>
<td>While Lapote’s company experienced rapid growth in the first few years, the company stalled because of his lack of knowledge in some vital areas.</td>
</tr>
<tr>
<td>Lesson Learned: Lapote hired a business partner to help out, although it wasn’t an easy decision; “Hiring a business partner then giving her full scope to do her job felt a little like giving up my company but it was a vital step toward success.”</td>
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<tr>
<th>5. Reason for Failure: “I made the big mistake of being a ‘parallel entrepreneur’”</th>
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<tbody>
<tr>
<td>Dharmesh Shah—Co-Founder and CTO of HubSpot</td>
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<tr>
<td>When HubSpot became successful, Shah decided to become a “parallel entrepreneur” by attempting to run two different startups at the same time. As a result, his original startup team felt abandoned, and he didn’t feel enough of an impetus to make the new startup work.</td>
</tr>
<tr>
<td>Lesson Learned: Shah’s advice: “Don’t do what I did. Don’t ever, ever, ever try to ride two horses at the same time.”</td>
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and one with an infamously high dropout rate. Duckworth received permission to have incoming cadets complete a short “grit questionnaire” along with all the other evaluative methods employed by West Point such as The Whole Candidate Score (which includes SAT scores, class rank, etc.). Her intent was to find out what qualities would predict whether a cadet would remain at West Point through the “beast” summer program or would drop out.

Examples of the questions on Duckworth’s grit questionnaire include “I have overcome setbacks to conquer an important challenge,” “Setbacks don’t discourage me,” “I have been obsessed with a certain idea or project for a short time but later lost interest,” “I have difficulty maintaining my focus on projects that take more than a few months to complete,” and “I finish whatever I begin.” Participants were asked students to rate themselves on a five-point scale ranging from “very much like me” to “not like me at all.”

The findings showed that the cadets with higher levels of grit were more likely to stay until the end of the summer, and grit proved to be a better predictor than The Whole Candidate Score. Since the West Point study, Duckworth has found that grit predicts the effectiveness of sales agents, the survival of first-year teachers in tough schools, and even the identity of the finalists of U.S. National Spelling Bee contests.

Duckworth’s research on grit is also related to Stanford psychologist Carol Dweck’s research on mindset, which we explored in Chapter 3. Dweck believes that people with a fixed mindset tend to believe that intelligence and talent is something we’re born with and avoid failure at all costs, whereas people with growth mindset develop their abilities through dedication, effort, and hard work. They do not think brains and talent are the key to lifelong success, but merely the starting point. They see failure as an opportunity to improve their performance, and to learn from their mistakes. Despite setbacks, they tend to persevere rather than giving up. Over the course of her research, Duckworth has found that children who have more of a growth mindset tend to have more grit.

Like Dweck, Duckworth also believes in the concept of deliberate practice, which is the conscious effort to practice things that we can’t yet do. However, this type of practice does not involve doing the same thing over and over again; deliberate practice is a highly structured activity which must have a purpose, and be carried out with an eye on long-term achievement.

MINDSHIFT
Your Failure Resume

In this Mindshift exercise, your assignment is to craft a “failure resume” that includes all of your biggest fails! These can be from school, work, or even in social relationships. For every failure you list, you must then describe what you learned from each fail (and, if appropriate, what others learned). By creating a failure resume you are forced to spend time reflecting on what you learned from those experiences. As tough as this sounds, it’s also a very rewarding experience.

Want to go a step further? Share your resume with a classmate and compare. Don’t focus on comparing the failures but rather focus on comparing and contrasting the learning that resulted from each failure experience.

CRITICAL THINKING QUESTIONS

1. Was it easier than you expected, or more difficult, to list your biggest failures?
2. What emotions did you experience as you wrote your “failure resume”?
3. How do you think you’ll be able to take the lessons learned from your failures and use them to attain more success in the future?

Deliberate practice: a conscious, highly structured effort to learn a new skill, carried out with an eye on long-term achievement.
term achievement. Deliberate practice can be frustrating, confusing, and even boring, but the fact is that we are supposed to feel confused when we are tackling the unknown—feeling frustrated can be a sign that we are on the right track. In sum, deliberate practice allows us to refine our skills, by making and accepting our mistakes in order to help us progress towards the achievement of long-term goals. This ties in with one of the key messages of this text—that entrepreneurship is a method that demands practice.

Building Grit

As defined in psychological studies by Duckworth and others, grit incorporates several different attributes. Let’s examine each of these.

Courage

In the context of grit, people are courageous when they are not afraid to fail. They understand that failure is an important part of the learning process if they want to succeed. For example, when Jody Porowski, founder of online platform Avelist, ran out of funding, she refused to let her business die. Instead, she persevered (by selling her house) and wholly believes that “success comes from a refusal to give up.”

Conscientiousness

Often, when we hear of someone being conscientious, we picture them being meticulous in carrying out painstaking tasks. However, in the context of grit, being conscientious means working tirelessly in the face of challenges and towards the achievement of long-term goals.

Perseverance

In the context of grit, perseverance is the commitment to long-term goals through purposeful deliberate practice. Tesla founder Elon Musk is a big believer in perseverance, but also acknowledges that for entrepreneurs, the road to success isn’t always easy. Musk states, “Entrepreneurship is like eating glass and walking on hot coals at the same time.”

Resilience

In the context of grit, resilience means the strength to recover from failure and overcome obstacles in order to persevere towards the achievement of long-term goals. Gritty people believe “everything will be alright in the end, and if it is not alright, it is not the end.”

Excellence

In the context of grit, striving for excellence means committing to activities that enhance skills as well as prioritizing improvement over perfection. In other words, striving for excellence is an ongoing process as each activity highlights new opportunities.

Removing the Stigma of Failure

Failure is still a topic that many of us would like to avoid, but that is changing. Initiatives are springing up to remove the stigma (feelings of shame and embarrassment) traditionally associated with failure.

Mobile technology nonprofit MobilActive runs an annual event called FAILFaire, which provides a forum for nonprofits to “openly, honestly, and humorously discuss...
FAILFaire gives the opportunity for the participants to share their mistakes so others may understand and learn from them, in order to make better decisions in the future.

One failure that was openly discussed involved an initiative undertaken by the World Lung Foundation as part of an anti-smoking campaign. The World Lung Foundation promoted an application called Pack Head using the Facebook platform. The idea was that users would be able to add evidence of smoking-related health damage to their profile pictures (rotting teeth, throat tumors, etc.) and then share the pictures with their friends to warn them of the dangers of smoking. The project failed because Pack Head users were not happy modifying their pictures to depict health problems, and their smoker friends felt they were being judged for their smoking habit. 

Global Giving, a nonprofit which connects donors with grassroots projects around the world, gives out the “Honest Loser Award” to staff members who have tried and failed at implementing a new initiative. The recipient of the award then shares the story of the failure, why it didn’t work, and what they learned from it. The culture of the company honors honest mistakes because they are seen as an opportunity to learn and innovate rather than a source of shame and embarrassment.

DoSomething.org, a nonprofit set up to encourage people to take action on social change initiatives, holds a Pink Boa FailFest once a quarter. The presenters wear a pink feather boa during a 10-minute presentation where they discuss the history of their failure, what went wrong, and the lessons learned. Presenters allow two minutes of Q&A from the group at the end of the talk. They also employ fun, silly metaphors in discussing the lessons learned such as a photo of a celebrity or a song lyric which takes the sting out of the failure.

Other organizations take an even more eccentric approach to removing the stigma of failure. MomsRising, an organization that runs online campaigns to build a more family-friendly America, holds a “joyful funeral” for their failed campaigns. This involves giving the initiative a formal burial, along with a eulogy during which they discuss lesson learned and generate ideas for future campaigns.

For those who are still unsure about sharing their failures in public, how about adjusting your physiology to better cope with failure? Improvisation teacher Matt Smith developed the “failure bow,” which consists of raising your hands in the air, saying “I failed,” grinning submissively, and moving on. Smith reports that athletes who use the failure bow find it helps them get over the fear of making a mistake. When they adjust their physiology, it helps them to change their mindset from embarrassment and shame to a more positive state which welcomes learning opportunities.
2. **Identify several different types of reasons for failure.**

Failures come in all shapes and sizes. Common types of failure include: deviance, inattention, lack of ability, process inadequacy, poor business process flow and communication uncertainty, and exploratory experimentation.

3. **Describe the consequences of fear of failure for entrepreneurs.**

Fear of failure makes the entrepreneur less likely to pursue and achieve the transformative power of learning from failure.

4. **Explain the different ways entrepreneurs can learn from failure.**

Failure often goes hand-in-hand with experimentation, with each iteration bringing a product or service nearer to the state necessary for market success. Something can be learned from any failure, and it’s important the firm and its founders establish a blame-free climate in which learning can be maximized.

5. **Describe the significance of "grit" and its role in building tolerance for failure.**

Grit is that “special something” that enables people to persevere though prolonged hardship to maintain commitment and achieve long-term goals.

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**KEY TERMS**

<table>
<thead>
<tr>
<th>Deliberate practice</th>
<th>Intelligent failures</th>
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<tr>
<td>Deviance</td>
<td>Lack of ability</td>
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<td>Exploratory</td>
<td>Pivot</td>
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<td>Grit</td>
<td>Process Inadequacy</td>
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<tr>
<td>Inattention</td>
<td>Uncertainty</td>
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**CASE STUDY**

**Abraham Lincoln, Sixteenth US President**

To live is to experience failure. There appears to be no way around it. Sooner or later, everyone fails. Some failures are small and private, such as indulging in a donut while on a self-imposed diet. Other failures are larger and more public, like flunking out of school... All of us experience failure many times in our lives. Some fail miserably and get over it quickly, while others let it completely take over their lives. However, failure is not a permanent state, and there are actions that can facilitate recovery.—Abraham Lincoln

Abraham Lincoln was the 16th president of the United States. At first, it might seem strange to have a story about him in a textbook on entrepreneurship. When you study Lincoln’s life closely, however, you begin to recognize an entrepreneurial quality to Lincoln’s political career that served him well. Regardless of the field or industry in which you happen to work, certain qualities of entrepreneurship can prove very helpful in the attainment of success—as was the case with Lincoln’s rise to the top of his political world. This case study specifically addresses Lincoln’s capacity to manage and leverage failure along the pathways of his ultimate ascent to the highest office in the land.

Abraham Lincoln was no stranger to failure. In fact, he is often typecast in popular culture as the man who failed at everything leading up to his stunning election as President of the United States. In truth, Lincoln did experience many heartbreaking tragedies and failures in his life. Accompanying these failures, however, was a consistent string of successes and growth that eventually paved the way for him to realize the extraordinary position he achieved in the government, and later on, in the history books.

From the loss of precious loved ones to the loss of elections; from professional failures to experiencing terrible bouts of depression, Lincoln was no stranger to defeat and adversity. But Abraham Lincoln did not become great because of his failure. Everyone
fails, but not everyone goes down in history like Abraham Lincoln. The thing that defined greatness in Abraham Lincoln's life was how he responded to failure and defeat. By choosing not to let his failures define or break him, he was able to turn his greatest defeats into inspiring victories.

Abraham Lincoln was born and raised in obscurity in the backwoods of Kentucky and Indiana, and his family's social class positioned him better for splitting rails and planting crops than pursuing politics. His father was an uneducated man whom Lincoln never had much understanding of, nor affection for. His mother died of illness when he was only nine years old.

Although he had little opportunity for formal education, Lincoln not only learned to read and write but developed a voracious appetite for books. He was known for reading anything and everything he could get his hands on, although he had only limited time to spend reading due to the unremitting demands of farm life.

The events surrounding Lincoln's entrepreneurial spirit and rise in politics began in his early twenties when he left home to strike out on his own. Some of his early adventures included river-boating down the Mississippi to transport a load of cargo on a flatboat headed to New Orleans. When he and his colleague reached their destination, Lincoln witnessed a slave auction for the first time in his life. The callous nature with which human beings were whipped and rounded up like animals to be sold at auction disturbed him. His firsthand observations of slavery in the Deep South left a lasting impression that would influence his thinking for the rest of his life.

In 1832, Lincoln served as a volunteer in the Illinois militia during the Black Hawk War, a brief conflict involving the US territories of Illinois and Michigan and a coalition of Native Americans led by a chief called Black Hawk. Here Lincoln showed early signs of leadership capacity, being elected captain of his company. Around the same time, he and a friend from the militia purchased a small general store.

While managing the store, Lincoln became known for being unusually honest, a trait that would figure prominently in his reputation for the rest of his life. Famously, if "Honest Abe" found he had accidentally overcharged a customer, he would walk as far as necessary to return the customer's money. What is not so well known is the fact that the business soon failed, leaving Lincoln and his friend deep in debt. Not only that, but Lincoln's friend died, leaving half of the debt completely unpaid. Though Lincoln was not legally obligated to cover his friend's debt, he insisted on paying the full amount to their creditors. It took several years, but Lincoln eventually paid the debts in full.

In 1832, while the store was still a going concern and his business partner still alive, Lincoln also got his start in politics—and with it, his first dose of election failure when he lost his bid to become a member of the Illinois State Legislature in 1832. He learned from his mistakes, however, and after gaining more knowledge, experience, and polish on the stump, won election to the same body in 1834.

In 1835, Ann Rutledge, his romantic interest at the time, died of illness. This turn of events was devastating to Lincoln. It would be seven more years before Lincoln would eventually marry.

In 1836, Lincoln won re-election to the Illinois State Legislature, where he would serve for a total of 12 years. That year, he also was admitted to the bar and began practicing law, a career he would pursue for much of the rest of his life.

In the early 1840s, following his marriage to Mary Todd, Lincoln began setting his sights on the United States House of Representatives. He failed in his first attempt to win election, but succeeded in his second attempt in 1846. For partisan political reasons, he agreed to not run for a consecutive term in 1848. In 1854, Lincoln made another run at national office, this time running for the U.S. Senate representing Illinois. He lost. In 1856, he was considered as a nominee for running mate of presidential candidate John C. Frémont in the newly formed Republican Party, but lost that bid too. In 1858, he again ran to represent Illinois in the US Senate, but was again defeated.
Despite his poor election performance during the 1850s, Lincoln’s political star continued to rise through a series of speeches that began attracting a nationwide audience. These speeches included the famous House Divided speech (June 1858), the Cooper Union address (February 1860), and his legendary Senate debates with Stephen Douglas (1858). Although he lost the election to Douglas, his articulate speeches and debates propelled him into the national spotlight where he became a prominent contributor to national political conversations.

Riding this wave of attention and publicity, Lincoln was able to apply all the skills he had developed over the course of three decades into his campaign for the presidency in 1860. A remarkable series of events, shaped in no small part by his own adroit political entrepreneurship, followed whereby Abraham Lincoln, the prairie lawyer from Illinois viewed as a “dark horse” candidate, was able to win not only his party’s nomination but also the general election, becoming the first Republican president.

Political tensions surrounding the issue of slavery had been running high throughout the 1850s, and Lincoln’s victory sent shock waves that exacerbated hostilities. Before Lincoln was even inaugurated, the states of the Deep South had seceded from the union, initiating a conflict that burgeoned into the Civil War. Despite the enormous challenges of the war, along with his own personal tragedy when his son Willie died of an illness in 1862, Lincoln was able to again defy the odds and win re-election in 1864. In his final months in office—and on Earth—Lincoln issued the Emancipation Proclamation, brought about the passage of the 13th Amendment to the Constitution to end slavery nationwide, and led the Union to victory in the Civil War. Five days after the Confederate surrender, he was murdered by an assassin’s bullet, cementing his legacy as a national martyr.

Lincoln’s greatest achievement is found in the opportunity for success he opened up for others, particularly African Americans. His words from the Gettysburg Address are a continual reminder that “all men are created equal,” going on to inspire generations of successful African American entrepreneurs. Seen through a long historical lens, Lincoln’s courageous actions can be credited as setting the stage for Barack Obama to achieve the same office of President that Lincoln once occupied.

Critical Thinking Questions
1. What role did failure play in creating Abraham Lincoln’s many successes?
2. What failures or tragedies have you experienced in your life that could potentially serve as a seedbed for future joys and successes?
3. Consider the opportunities Lincoln opened up for others, particularly African Americans. What is something you could do as an entrepreneur to open up new avenues for others who may not be as fortunate as you?

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