

The Relationship Between Social Costs, Social Capital and Failure Learning on the Entrepreneurial Restart Intention

Le Quan and Ta Huy Hung

University of Business and Economics, Vietnam National University, Hanoi, Vietnam

Abstract: Becoming an entrepreneur or working as a regular employee is a difficult decision-making that a number of people are dealing with in their career. Entrepreneurs have huge contribution to the economic growth. However, because of the high competition and the high rate of failure businesses, the failed entrepreneurs often cope with enormous difficulties, even painful experiences. This study has been conducted to identify the life of the entrepreneurs who have failure experiences from the bankruptcy time to the recovery time. The quantitative method issued to find out the relationship between the entrepreneurial failure social cost, entrepreneurial social capitals, entrepreneurial failure learning and entrepreneurial restart intention. This research discovers the important role of entrepreneurial learning in failed entrepreneurs based on the MOA framework. Moreover, the failed entrepreneurs can use the social capital as a valuable source for learning some useful lessons to have their restart intention. This research also fulfills the gap in the life of failed entrepreneurs and provides evidences to scholars who are developing literature review of entrepreneurship by using motivation-opportunity-ability perspectives.

Key words: Entrepreneurship failure, entrepreneurial learning, entrepreneurship restart intention, entrepreneurial intention, human capital

INTRODUCTION

Research introduction: A number of researchers and actioners consider a question that being an entrepreneur or working as an employee to be a difficult decision in their career and their life. To be an entrepreneur, who sets up, organizes, controls and takes responsibility for a new business can offer a person more chances to solve some difficulties and get more benefit (Segal *et al.*, 2005). Many reasons can be listed to answer the question: why people want to be an entrepreneur. Research by Gilad and Levine (1986) mentions the “push” and “pull” theory that can be seen as the theoretical background in explaining the reasons to become entrepreneurs. “Push” theory shows the negative external factors that “push” people to be an entrepreneur. Those external factors are job loss, job issues, discomfort with their working environment, inflexible schedules and even unsatisfied incomes, so on. However, the “pull” theory indicates the individual’s internal factors such as desired for independence, self-fulfillment, power, reputation and even higher incomes. These internal factors have huge impacts on the decision to be an entrepreneur. The same point of view is found by Van Praag and Cramer (2001) research in which the researcher shows that entrepreneurs expect to be rewarded with the high level salary and also hope for

brighter future in their life. Until now, many researchers also make a strong argument about the important of “push” and “pull” theory in the entrepreneurial choice.

To be an entrepreneur, people have to deal with countless difficulties, challenges, confrontations and even painful experience. Those threatens can be found in both external and internal environment. However, almost researchers and practitioners agree that the important role of entrepreneurship a key component of the economic growth, innovation (Guerrero *et al.*, 2008). Although, the pivotal roles of entrepreneurs are confirmed, many entrepreneurs have undergone hard trials. In the research conducted by Knott and Posen (2005), the researcher indicates a shocking figure that around 80-90% of new firms ultimately failed. Approximately, 10-20% of surviving firm had the entrepreneurs’ achievements of their business establishing goals such as high incomes, reputations and realistic ambition. Furthermore, the data from the US Census Business Information Tracking Series in the study conducted by Headd (2003) shows that the failure is not the same in the new firms. The number of firm death in the first 4 years reaches 51%. The same rate on the young failure firms with the <5 years olds which was 40-60% on the US firms filed for bankruptcy from 1950-1987 (White, 1989) while adopted to the Warren and Westbrook (1999) study, they reported that 80% of the

firms in the United States which filled the bankruptcy law had the assets <\$1 million and 88% reported that they had fewer than 20 employees. That is the case in the United States. In other countries such as in Japan, the annual average number of firm bankruptcies during the 1990s was 14,500 (Lee *et al.*, 2007) in France was 52,000 in Great Britain was 47,000 and in Germany was 21,000 during 1990s (Claessens *et al.*, 2003; Lee *et al.*, 2007). While, the failure business is very high in the literature, entrepreneurship and their action which have attracted lots of researchers (Hannafey, 2003) with their concentration on finding the factors which bring on the success in the entrepreneurial ventures. But, the consideration lay on the lives of the majority who failed their families, their social network and their psychology as well as physiology. The questions this research aimed to answer are what social pains of the failure entrepreneurs are and how they can use their social capital and their learning ability to overcome their grief and intend to restart new business.

Research gaps: Although, the important roles of entrepreneurs have been confirmed in the society by many researchers, scientists and practitioners such as encourage innovation, job creation and also global and national competitiveness (Bednarzik, 2000; Kim *et al.*, 2006), their painful experience after business failure was not mentioned in the research. The researchers pay more attention on finding the reasons why the entrepreneurs succeed, the motivation of successful entrepreneurs, so on. It seems that it is not easy to find out the researchers who focus on searching the life of failed entrepreneurs to answer the questions: how painful have entrepreneurs and their family suffered when their business failed? How many kinds of costs that failed entrepreneurs have to under go in their life? In this research, based on the research by Ucbasaran *et al.* (2013), the researcher mentions the social costs of failed entrepreneurs as the painful experience of failed entrepreneurs and how to overcome the social costs of failed entrepreneurs that have not mentioned in the previous research.

In order to establish the venture again, entrepreneurs need support from strong and massive sources. For example: based on financial capital perspective, if former wealth or high current income is necessary for starting business, people who already have financial support will be most likely to attempt to restart their venture or having sufficient human capital also encourages people to become entrepreneurs (Kim *et al.*, 2006). But in fact, most of entrepreneurs cope with lack of resources including human capital, financial capital and the social capital, etc. The business failures are partly

derived from these reasons. Various previous researches have indicated supporting relationship between the entrepreneurial capital (human capital, social capital) and the pursuit of starting-up business (Kim *et al.*, 2006). However, those researches have not mentioned the roles of entrepreneurial social capital in the period after firm failure. The question is that if the failed entrepreneurs are supported with social capital, how can they use that social capital to overcome their grief and do they intend to restart business. As a result, in this research, we will examine the impacted roles of entrepreneurial human capital in association with entrepreneurial restart intention.

Literature review

Motivation-opportunity-ability framework: The predecessor of the Motivation-Opportunity-Ability (MOA) framework was accepted by the industrial psychologists and social psychologists (Siemsen *et al.*, 2008). In the initial period, MOA framework only consisted of motivation and ability and the factor opportunity was later added in the framework (Blumberg and Pringle, 1982; Peters and O'Connor, 1980; Siemsen *et al.*, 2008). According to some researchers (Bendoly and Hur, 2007; Mathieu *et al.*, 1992), there are connections between the three factors: motivation, opportunity and ability. However, the exact relationship between those factors in the MOA framework is difficult to justify theoretically (Siemsen *et al.*, 2008).

In MOA framework, motivation attracts the most controversial debates and discussions from scholars in literature review (Siemsen *et al.*, 2008). Motivation theory was used to predict individual behavior. Ambrose and Kulik (1999) indicate that the definition, measuring and mediating impact of motivation are the biggest difficulties. In this research, we use the definition from Hughes that: "Motivation is the impetus toward a behavior or the motivation captures the individual's willingness to act". Another definition is created by Bayton (1958) stating that motivation is "the drives, wishes, urges or desires which initiate the sequence of events known as behavior". In this research, we use the motivation factor to clarify the entrepreneur's behavior. Moreover, from the basic concepts of psychology: ability is the skills and capabilities requisite to the performance of a behavior and opportunity mentions the contextual and situational constraints relevant to the performance of the behavior (Rothschild, 1999).

MOA framework has been applied in various management researches. It was well employed as a theoretical basic for explanation of work performance (Blumberg and Pringle, 1982). MOA framework also has

been used to clarify a wide range of research fields. For example, this framework can explain consumer choice (MacInnis *et al.*, 1991), firm-level decision making (Wu *et al.*, 2004) and social capital activation (Adler and Kwon, 2002; Binney *et al.*, 2006). In recent times, knowledge-management practices has also been using MOA framework as a conceptual organizing (Argote *et al.*, 2003) and knowledge-sharing tool (Siemsen *et al.*, 2008). MOA framework was not only used in management researches but also implemented in the field of entrepreneurship (Davidsson, 1991; Stevenson and Jarillo, 1990). The basic level of MOA framework in entrepreneurship research occurs at the intersection of the entrepreneurs' ability (including their human capital and social capital), their motivation as well as their opportunities from external environment.

In entrepreneurship research, scholars focused on individual-level factor matters with the knowledge of entrepreneurs taking over center stage. According to a research conducted by Ventakaraman (1997), knowledge can contribute to the opportunity recognition and former knowledge also influences opportunity exploration. While prior knowledge of entrepreneurs includes a number of components, Rosenbusch *et al.* (2011) found that education, start-up experience, management and working experience were used in order to measure human capital. According to Shane (2000), knowledge plays a fundamental role in human capital in foundation while human capital leads to discovery of entrepreneurial opportunities. Consequently, when human capital of entrepreneurs referred to the entrepreneur's ability, it has positive relationship with opportunity of entrepreneurs. Accordingly, in this study, learning from the previous business failure can be seen as rich source for failed entrepreneur (McGrath, 1999). It is also a great inspiration for failed entrepreneurs to comprehend their experience and useful past lessons in preparing for their future. But what kind of lessons they should learn from prior failure and how can they learn? It depends on the entrepreneurs' ability, whether they have enough knowledge to realize learning worthy lessons and use useful networking to learn more effectively. Based on this argument, ability which represents entrepreneurial resource will be useful for learning motivation.

Definition

Entrepreneurial social costs: The social cost is one of the primary costs of the entrepreneurs who underwent the business failure. Social costs which have great impact on personal and professional relationship are the result of the failure which was found by Ucbasaran *et al.* (2013). Moreover, the failure is not only leading to the disruption of marriages and close relationship (Cope, 2011;

Singh *et al.*, 2007) but it also led to the breakdown of a vital social network of mutual obligation (Harris and Sutton, 1986). In addition, the quality of the social relationship between the failed entrepreneurs with other also affected after the business failure. According to the research conducted by Sutton and Callahan (1987) and Ucbasaran *et al.* (2013), they showed that the quality of relationship after business failure can be belittle as a result of the stigma associated with failure. More clearly, the stigma which was born as a result of failure was defined as the social reduction of a person who deviates from a social unit's norm (Efrat, 2005) and the stigma bring the failed entrepreneurs into discredit (Sutton and Callahan, 1987) as well. A number of researchers (Shepherd *et al.*, 2011) acknowledged that the negative discrimination with respect to employment opportunities and access to future resources can be happened as a result of stigma.

Entrepreneurial social capital: Social capital was referred as the ability of actors to get the benefits from their social structures, networks and membership (Davidsson and Honig, 2003; Lin *et al.*, 1981). The social capital which was utilized in term of social exchange so that we can examine the effects of exchange ties on the intention. The exchange effects may range from the provision of the resources. Those resources include the tangible resource such as the loan provide by a mother to their daughter or the intangible resources such as information about the partner, the know-how of products or the new potential customers (Davidsson and Honig, 2003). From entrepreneurship point of view, social capital brings the precise networks that facilitate the discovery of opportunities, the identification, collection and allocation of scarce resources (Uzzi, 1999). Another definition of social capital defined that social capital is made up of the relationships including the formal and informal relationships. Those relationships were generated by the individual in their interaction with other individuals in order to obtain an expected reward in the market. So, the social capital in entrepreneurs could be defined as a capital captured in the form of social relationships (Lin, 2001).

Entrepreneurial failure learning: There are varieties of lessons that failed entrepreneurs can learn from previous experience's failure such as self-discovery and learning about networks/relationships (Cope, 2011). Identity lesson learned referred to the learning about strengths, weaknesses, skills, attitudes, beliefs and areas for development. The combination between transformative and double-loop learning provides the fundamental learning about networks and relationships of failure

entrepreneurship. Learning about networks and relationships introduced the nature of relationship management both internal and external to the venture (Cope, 2005, 2011; Gibb, 1997).

In this research, the researcher focuses on two distinct learning outcomes of failure which originated from double-loop and single-loop learning, respectively. While, single-loop learning concerned about the basis for modifying what is already known, double-loop learning referred to the foundation for adjusting overall norms and beliefs (Argyris, 1976). The double-loop learning is also mentioned in the research by Cope (2011) as a fundamental concept for entrepreneurial failure learning of networks and relationships.

Entrepreneurial restart intention: In this research, we pay attention to the Shapero and Sokol (1982) model of “Entrepreneurial Event” (SEE). Adapting to SEE Model, an individual choice to establish a new business based on a number of components: perceived feasibility, perceived desirability and propensity to act (Krueger *et al.*, 2000). They defined in their research that perceived desirability is likely the degree to which people want to find chance of establishing a new venture attractive and fundamentally which has the effect on entrepreneurship. On the other hand, perceived desirability in Krueger’s research referred to individual attractiveness of setting up new business which closely related to attitude and subjective norm variables (Shepherd, 2003). Perceived feasibility is the degree to which people believe that they can have enough capability to start a new business. According to Chen *et al.* (1998), people with higher feasibility have more intrinsic interest in duties and more persistent if facing difficulties.

Research framework and hypothesis development: Base on the research’s motivation and objective, the researcher built a conceptual framework for this research (Fig. 1).

The effect of entrepreneurial failure social costs on entrepreneurial failure learning: Scholar acknowledged

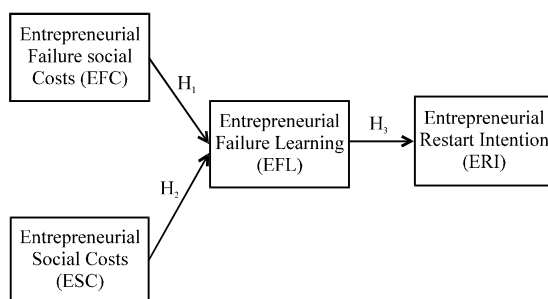


Fig. 1: Research framework and hypothesis development

that failed entrepreneurs can learn from the prior business failure since, they used information about why the business failed in order to revise their existing knowledge (Shepherd, 2003). This knowledge usually relates to the failed entrepreneur themselves when they managed their business. What can they learn from the prior failure? They can learn about the managing the internal and external stakeholder relationships which was be loose as the result of the social costs after failing. Moreover, they can learn about the building and managing their partnership with the entrepreneur teams which also be affected by the business failure (Cope, 2011; Singh *et al.*, 2007). Because business failure represents a signal that something happened incorrectly and it motivates the failed entrepreneurs pay more attention to deeply understand what did it happen (Sitkin, 1992). Those signals happen when business failure can motivate the learning process of failed entrepreneurs because the individual is seem likely to conduct a postmortem to know what led to the business failure. As the result, informing and motivating changes to his or her mental model (Minniti and Bygrave, 2001). Moreover, the pain of some close relationship such as conflict with the entrepreneurs’ team member, their close friends also can be the motivation to encourage the failed entrepreneurs inpaying more attention to understand the causes and the consequences of those relationships. More recently, in aresearch conducted by Cope (2003), the researcher showed the outcome of learning from experience venture failure and those are categories into some kinds including better understanding of oneself, understand the deeply reason why the business failed, learning about their networks and their relationship in the social and learning how to manage the venture better in the future. This study also examined that the failed entrepreneurs engaged in the higher level learning so that they can recover and learning from their costs of business failure. As the result of venture failure, the more social costs (the painful of their relationship) they have the more knowledge they can learn in order to improve their existing knowledge.

- H_1 : entrepreneurial failure social cost positively impacts on the entrepreneurial failure learning

The effect of entrepreneurial social capital on entrepreneurial learning: The important kind of entrepreneur resource is social capital which have been shown to be of considerable importance in the intention to set up the new business (Bosma *et al.*, 2004; Stam and Elfring, 2008). Davidsson and Honig (2003) found that the entrepreneurs who derived from families that own business or from community networks owning or encourage self-employment will use their social network

as the condition for the nascent entrepreneurship. However, the social capital not only provides the mechanism for absorbing entrepreneurial experience and the improving of entrepreneurial skills but also shows the role of social network which has been seen as the motivation mechanism the process of learning based on the social norm about the failure. The failed entrepreneurs who want to gain their losing reputation in the prior failure, need to learn from their previous research to get the successful in their entrepreneur's future. So, the social capital also has the positive effect on the learning ability of failed entrepreneurs.

- H₂: entrepreneurial social capital positively impacts on entrepreneurial learning

The effect of entrepreneurial failure learning on entrepreneurial restart intention: Cope (2005) mentioned that learning from experience is the main kind of entrepreneurial learning and that it is necessary to understand more deeply how entrepreneurs learn formative experiences which related to the entrepreneurial learning "mechanisms". In order to comprehend, the learning mechanism (Cope, 2005; Rae and Carswell, 2000) suggest that significant "events" or "episodes" have an important role in motivating entrepreneurial learning. A numbers of previous researches have pointed the changing outcomes of experiential learning in entrepreneurship. For example, some researchers mentioned the changes in thinking and behavior of entrepreneurs, improvement in entrepreneurial knowledge and adjustment of firm strategy and practices (Cope, 2003; Cope and Watts, 2000; Deakins and Freel, 1998). Such entrepreneurs learned from the failure of business which can be used as the useful lessons in their recovery and their intention to restart new business.

Moreover, Minniti and Bygrave (2001) asserted that "entrepreneurs learn by updating a subjective stock of knowledge accumulated on the basis of past experiences" (p.5). Based on MOA concept as mentioned above in the failure of entrepreneurs, the awareness of useful and necessary lessons from the firm's failure included lessons related to learning about themselves: strengths and weaknesses, opportunities and threats or requirements for growth. Learning about network and management (Cope, 2005) is extremely necessary for once-failed entrepreneurs to gain more knowledge and improve their experience. Based on traditional experiential learning model, the final phase of the cycle is actively testing new knowledge (Argyris, 1976; Ellis *et al.*, 2006). Nevertheless, new knowledge which entrepreneurs had learned from their failure can be tested when they are motivated to restart their business. Based on this argument, we build hypothesis 3 as following.

- H₃: entrepreneurial failure learning positively impacts on entrepreneurial restart intention

MATERIALS AND METHODS

Research methodology: This research is conducted by using quantitative method. A hypothesis would be stated and the researchers attempted to acceptor reject that hypothesis. These techniques are usually easy to measure as the generated data can be analyzed mathematically.

Confirmatory Factor Analysis (CFA) and reliability test:

In this study, Amos 18.0 was employed to perform the Confirmatory Factor Analysis (CFA). CFA was applied in order to confirm the structural validity and examine the correlation coefficients of each variable and factor to verify its legitimacy before the reliability test.

The reliability test measures consistency or stability of the examinee's performance in the test. It is often measured with Cronbach's alpha (α). A test with high reliability means that examinee's performance will show similar results in different occasions. Although, a reliability test defines one of the most significant elements of test quality, high consistency is still not a sufficient condition for validity. Validity refers to how well a test accomplishes our intended measuring subjects. A highly valid test possesses items that accurately linked with the testing purpose.

Structural equation modeling: The Structural Equation Model (SEM) includes an entire family of models known as covariance structure analysis, latent variable analysis, confirmatory factor analysis and often simply LISREL analysis. SEM combines the logic of CFA, multiple regressions and path analysis in an application using a single technique (Henley *et al.*, 2006). The aim of using the SEM is to determine how well the hypothesized model fits in the observed data. More specifically, this technique determines whether the hypothesized causal structure is consistent with the correlation of covariance matrix of the data being considered (Henley *et al.*, 2006). So, in order to find out the relationship of the whole research model in this study, SEM will be used. We also used Amos Software to analyze and specify the relationship among the entire researching framework and variables in this model.

To access overall model fit, we use the Chi-square test and additional the fit indices: Chi-square (p-value); degree of freedom; GFI; AGFI; RMSEA (Hu and Bentler, 1998).

Data collection: The primary data was collected from questionnaires done by entrepreneurs with past failure experiences in Viet Nam including those from Hanoi, Da Nang, Binh Duong, Khanh Hoa and Ho Chi Minh City from January, 2012 to February, 2015. Moreover, the researchers also conducted direct indeep-interview with entrepreneurs who suffered from business failure to gather their ideas about issues in the research. The questionnaire was established based on previous research and questions were modified in order to fit the objective of this research.

There are three main groups in the questionnaire. Firstly, the construction of entrepreneurial failure social cost consists of 5 items which were taken from studies of Davidsson and Honig (2003) and Harris and Sutton (1986). Participants responded on a seven-point Likert rating scale ranging from 1 (strongly disagree) to 7 (strongly agree) (Table 1). The items were adapted to describe

services related to knowledge, skills and abilities. Secondly, in order to measure entrepreneurial social capital, the researcher used 8 items that was choose and adapted from the social skills inventory (Baron and Markman, 2003). Thirdly, to estimate the failed entrepreneurs' perception about entrepreneurial learning, 7 items from (Shepherd *et al.*, 2011) study was appropriately, adopted to this research. Finally, entrepreneurial restart intention can be perceived as the re-intention of an individual to set up a new venture sometimes in the future. In this study, the questionnaire were adapted and developed by researchers Douglas and Shepherd (2002), Krueger (1993) and Segal *et al.* (2005). In this research, those items have been measured by using the seven-point Liker-scale from 1 (strong disagree) to 7 (strong agree). The completed questionnaire is presented in the Appendix.

RESULTS AND DISCUSSION

Factor analysis and reliability tests

Entrepreneurial failure social costs: As showed in Table 2, entrepreneurial resource is constructed in order to reach the criteria of the $\chi^2/df < 3$, GIF > 0.8, AGFI > 0.8, CFI > 0.9, RMSEA < 0.08. The result after deleting EFC3 showed Chi-square/df = 2.145; GFI = 0.990; AGFI = 0.950; RMSEA = 0.073, all of the criteria satisfied rule of thumbs and the factor loading of all items are over than 0.3. Thus, 4 items (EFC1, EFC2, EFC4, EFC5) are kept for the next step in this research.

Entrepreneurial social capital: As indicated in Table 3 in order to reach the rule of thumbs, the researcher deleted

Table 1: Characteristics of research respondent (N = 426)

Questions	Categories	Frequency	Percentage
Gender	Male	259	60.80
	Female	167	39.20
Age	0-20 years old	0	0.00
	21-30 years old	258	60.56
	31-45 years old	125	29.34
	46-60 years old	43	10.10
	>60 years old	0	0.00
Education	PhD	8	1.87
	Master	96	22.53
	Bachelor	252	59.15
	High School	27	6.33
	Primary School	11	2.58
	Other	32	7.51
Number of household	1-3 people	128	30.04
	4-5 people	102	55.41
	>5 people	62	14.55

Table 2: Confirmatory factor analysis result for entrepreneurial failure social costs

Construct	Variables	Factor loading	CR (t-value)
Entrepreneurial Failure Social Costs (EFC)	EFC1: I have lost an important person's approval or respect	0.778	A
	EFC2: I have lost an important person's affection	0.715***	8.591
	EFC3: I have lost my good reputation	Delete	
	EFC4: I have lost some close relationship because of failure	0.776***	8.665
	EFC5: I always consider about the other people think about my failure	0.41 2***	4.106

EFC: Entrepreneurial Failure social Costs; fit index: Chi-square (p-value) = 4.291; degree of freedom (df) = 2; Chi-square/df = 2.145; GFI = 0.990; AGFI = 0.950; RMSEA = 0.073

Table 3: Confirmatory factor analysis result for entrepreneurial social capital

Construct	Variables	Factor loading	CR (t-value)
Entrepreneurial Social Capital (ESC)	ESC1: I am a good judge of other people	Delete	
	ESC2: I can usually recognize other's traits accurately by observing their behavior	0.376***	4.946
	ESC3: I can tell why people have acted the way they have in most situation	Delete	
	ESC4: I can easily adjust to being in just about any social situation	0.653***	8.429
	ESC5: I can be comfortable with all types of people young or old, people from the same or different background as myself	0.793***	A
	ESC6: I have no problems introducing myself to strangers	0.765***	9.913
	ESC7: Whatever emotion I feel on the inside tends to show on the outside	0.363***	4.248
	ESC8: I am very sensitive to criticism from others	0.458***	3.367

ESC: Entrepreneurial Social Cost; fit index: Chi-square (p-value) = 6.584; degree of freedom (df) = 8; Chi-square/df = 0.823; GFI = 0.914; AGFI = 0.974; RMSEA = 0.05

Table 4: Confirmatory factor analysis result for entrepreneurial failure learning

Construct	Variables	Factor loading	CR (t-value)
Entrepreneurial learning	EOL1: After failure, I can understand deeply about my strong point	0.705***	13.791
	EOL2: I also can understand more about my weakness point	0.798	A
	EOL3: I can aware which is really important in my life and my family	0.842***	11.941
	EOL4: I can set a clear goal in the future	0.658***	9.488
	ENL1: I have learned a useful lesson about the customer's need as well as the market	0.862	A
	ENL2: I can build a strong relationship with my partners after learning the lesson from failure	0.618***	8.020
	ENL3: I am more willing to help others deal with their failure	0.363	4.831

EOL: Learning about oneself; ENL: Learning about network and relationship; fit index: Chi-square (p-value) = 24.634; degree of freedom (df) = 12; Chi-square/df = 2.053; GFI = 0.967; AGFI = 0.924; RMSEA = 0.070

Table 5: Confirmatory factor analysis result for entrepreneurial re-start intention

Construct	Variables	Factor loading	C.R. (t-value)
Entrepreneurial restart intention	ERID1: I would love to be an entrepreneur	0.615***	7.786
	ERID2: To be an entrepreneur is my honor	Delete	
	ERID3: I am considering re-starting my own business some day in the future	0.942	A
	ERID4: To be an entrepreneur is very hard	0.172	2.381
	ERIF1: I am certain in this restart firm	0.688	8.786
	ERIF2: I am sure about myself to re-start business	0.923***	A
	ERIF3: I can recovery my losing reputation when I re-start my own business	Delete	

ERID: Entrepreneurial perceived Desirability; ERIF: Entrepreneurial perceived Feasibility; fit index: Chi-square (p-value) = 4.134; degree of freedom (df) = 4; Chi-square/df = 1.033; GFI = 0.992; AGFI = 0.971; RMSEA = 0.012

two items include ESC1, ESC3. After deleting two items, the criteria also satisfied the rule of thumbs including $\chi^2/df < 3$, GIF > 0.8, AGFI > 0.8, CFI > 0.9, RMSEA < 0.08 (Table 3). Subsequently, we keep all 6 items in this construct in order to conduct the next step of this research.

Entrepreneurial failure learning: As indicated in Table 4, all factor loading of the 7 items in entrepreneurial failure learning exceed the threshold of 0.4. Those items also satisfied the criteria including $\chi^2/df < 3$, GIF > 0.8, AGFI > 0.8, CFI > 0.9, RMSEA < 0.08. Subsequently, we keep all 7 items in this construct in order to conduct the next step of this research.

Entrepreneurial re-start intention: Table 5 shows that 5 out of 7 items of entrepreneurial restart intention including ERID1, ERID3, ERID4, ERIF1 and ERIF2 have high loading scores which pass the requirement of 0.4. Based on the research by Dillon and Goldstein (1984), items which have the factor loading over 0.3 but not < 0.3 should be kept. In this construct, two items including ERID2, ERIF3 were deleted due to either lowering factor loading or getting the rule of thumb. After deleting those items, the result from Table 4-6 shows good model fit (including $\chi^2/df < 3$, GIF > 0.8, AGFI > 0.8, CFI > 0.9, RMSEA < 0.08). All of the rules of thumbs are satisfied.

The result of structure equation model: In order to answer the research question, a conceptual framework was build. After running data with AMOS Software by Structure Equation Model Method, Table 5 showed result of this research.

Table 6: The result of structure equation model

Relations	Standardized coefficients	CR
Entrepreneurial Failure Social Costs (EFC)		
EFC1	0.78	A
EFC2	0.726***	9.003
EFC4	0.62***	8.328
EFC5	0.73***	9.802
Entrepreneurial Social Capital (ESC)		
ESC2	0.631***	5.326
ESC4	0.625***	7.653
ESC5	0.60***	7.061
ESC6	0.56***	6.687
ESC7	0.632	A
ESC8	0.421***	3.626
Entrepreneurial Learning (EL)		
EOL	0.81***	6.567
ENL	0.825	A
Entrepreneurial Restart Intention (ERI)		
ERID	0.723***	5.882
ERIF	0.911	A
EFC-EL	0.625***	4.545
ESC-EL	0.489***	7.231
EL-ERI	0.332**	2.836

EOL: Learning about oneself; ENL: Learning about network and relationship; ERID: Entrepreneurial perceived Desirability; ERIF: Entrepreneurial perceived Feasibility standard errors are in parentheses: *p < 0.1; **p < 0.05; ***p < 0.001; fit index: Chi-square (p-value) = 59.096; degree of freedom (df) = 43; Chi-square/df = 1.374; GFI = 0.956; AGFI = 0.932; RMSEA = 0.029

CONCLUSION

Firstly, entrepreneurial failure social costs have positive impact on the entrepreneurial failure learning (hypothesis 1 supported). Almost failed entrepreneurs who suffered the huge social costs as the result of business failure can learn a lot of valuable lessons from their failures because business failure showed the clear signal that something happened in wrong way and it

motivated failed entrepreneurs to pay more attention to find out what was happen (Sitkin, 1992; Ucbasaran *et al.*, 2013). That is the reason why the entrepreneurial failure social costs indicated the positive impact on their learning ability. The MOA framework also support for this result.

Secondly, hypothesis 2 was supported showed that the failed entrepreneurs can utilize their social capital (their network, their relationship, so on) to learn some useful lessons about the reasons why they failed. Moreover, the positive impact of entrepreneurial social capital on the entrepreneurial failure learning showed the mechanisms for failed entrepreneurs to enhance their ability by learning something from their relationship. The research by Davidsson and Honig (2003) also mentioned that the failed entrepreneurs can receive the valuable lessons, experience from the venture capitalists and even their friends, their family to improve their ability.

Last but not least, entrepreneurial learning has positive impact on the entrepreneurial restart intention. Learning is often viewed as an essential outcome of entrepreneurial failure (Cope, 2003; Corbett *et al.*, 2007; Shepherd, 2003). Business failures can be perceived as rich source of feedback for entrepreneurs about their effectiveness of decision-making (Corbett *et al.*, 2007; Minniti and Bygrave, 2001) as well as their management's skills, network and relationship. In this research, based on our result of over 200 failure entrepreneurs, we provide

more evidences that learning process from their previous failure has positive affiliation with intention of restarting business in the future. The result of this research is accuracy when we compare with the result of previous researches which was presented in the research of (Minniti and Bygrave, 2001), acknowledging that knowledge gained from failure can be applied in subsequent entrepreneurial endeavors so that they can get more success in the future. And the evidence abounds with highly successful entrepreneurs attributing their current success to learning from past failures. Thus, the more failure lessons entrepreneurs learned, the more intention they have to restart business in the future.

SUGGESTION

The first thing is that the sample was only collected in Vietnam with the large portion of private and small and medium firms. Although, the results of this research were supported by many other researches, the other result can be found in different geographic areas with different cultures. Thus, the suggestions for the future research are:

- Other research should be extended to big firms with the huge of investment and the huge of management's operation
- Research should conduct studies in different geography or context with the similar or contrast cultures for more accurate model

APPENDIX

Questionnaire:

Section 1: The entrepreneurial failure costs. The questions relate to how costs you have to cope with after the business failure

Entrepreneurial failure costs	Strongly Disagree ← → Strongly Agree						
I have lost an important person's approval or respect	1	2	3	4	5	6	7
I have lost an important person's affection	1	2	3	4	5	6	7
I have lost my good reputation	1	2	3	4	5	6	7
I have lost some close relationship because of failure	1	2	3	4	5	6	7
I always consider about the other people think about my failure	1	2	3	4	5	6	7

Section 2: Entrepreneurial social capital. The questions relate to social capital that you have for your entrepreneurs

Entrepreneurial social capital	Strongly Disagree ← → Strongly Agree						
I am a good judge of other people	1	2	3	4	5	6	7
I can usually recognize other's traits accurately by observing their behavior	1	2	3	4	5	6	7
I can tell why people have acted the way they have in most situation	1	2	3	4	5	6	7
I can easily adjust to being in just about any social situation	1	2	3	4	5	6	7
I can be comfortable with all types of people young or old, people from the same or different background as myself	1	2	3	4	5	6	7
I have no problems introducing myself to strangers	1	2	3	4	5	6	7
Whatever emotion I feel on the inside tends to show on the outside	1	2	3	4	5	6	7
I am very sensitive to criticism from others	1	2	3	4	5	6	7

Section 3: Entrepreneurial failure learning. The questions relate to your ability to learn from your failure

Entrepreneurial failure learning	Strongly Disagree ← Strongly Agree						
After failure, I can understand deeply about my strong point	1	2	3	4	5	6	7
I also can understand more about my weakness point	1	2	3	4	5	6	7
After business failed, I can aware which is really important in my life and my family	1	2	3	4	5	6	7
I can set a clear goal in the future	1	2	3	4	5	6	7
I have learned a useful lesson about the customer's need as well as the market	1	2	3	4	5	6	7
I can build a strong relationship with my partners after learning the lesson from failure	1	2	3	4	5	6	7
I am more willing to help others deal with their failure	1	2	3	4	5	6	7

Section 4: Entrepreneurial restart intention. The questions relate to your intention to restart business

Entrepreneurial restart intention	Strongly Disagree ← Strongly Agree						
I would love to be an entrepreneur	1	2	3	4	5	6	7
To be an entrepreneur is my honor	1	2	3	4	5	6	7
I am considering restarting my own business some day in the future	1	2	3	4	5	6	7
To be an entrepreneur is very hard	1	2	3	4	5	6	7
I am certain in this restart firm	1	2	3	4	5	6	7
I am sure about myself to restart business	1	2	3	4	5	6	7
I can recovery my losing reputation when I restart my own business	1	2	3	4	5	6	7

Other information:

1. Gender: ☐ Male ☐ Female
2. Age: ☐ <21 ☐ <21-30 ☐ <31-40 ☐ <41-50 ☐ <51-60 ☐ >60
3. Number of venture: _____
4. Education: ☐ Primary school ☐ High school ☐ Bachelor ☐ Master and above ☐ Others
5. Firm age (years) before failure: _____
6. Firm industry before failure (what kind of products and service provided before failure): _____
7. Firm location (which country is your company located)
Please specify: _____
8. Total number of employees in your company: _____
9. Total number of entrepreneurial team member (including you): _____
10. Any comments towards restart intention

Thank you so much for your kindly help!

REFERENCES

- Adler, P.S. and S.W. Kwon, 2002. Social capital: Prospects for a new concept. *Acad. Manage. Rev.*, 27: 17-40.
- Ambrose, M.L. and C.T. Kulik, 1999. Old friends, new faces: Motivation research in the 1990s. *J. Manage.*, 25: 231-292.
- Argote, L., B. McEvily and R. Reagans, 2003. Managing knowledge in organizations: An integrative framework and review of emerging themes. *Manage. Sci.*, 49: 571-582.
- Argyris, C., 1976. Theories of action that inhibit individual learning. *Am. Psychol.*, 31: 638-654.
- Baron, R.A. and G.D. Markman, 2003. Beyond social capital: The role of entrepreneurs social competence in their financial success. *J. Bus. Ventur.*, 18: 41-60.
- Bayton, J.A., 1958. Motivation, cognition, learning: Basic factors in consumer behavior. *J. Marketing*, 22: 282-289.
- Bednarzik, R.W., 2000. Role of Entrepreneurship in US and European job growth. *Monthly Lab. Rev.*, 123: 3-16.
- Bendoly, E. and D. Hur, 2007. Bipolarity in reactions to operational constraints: OM bugs under an OB lens. *J. Oper. Manage.*, 25: 1-13.
- Binney, W., J. Hall and P. Oppenheim, 2006. The nature and influence of motivation within the MOA framework: Implications for social marketing. *Int. J. Nonprofit Voluntary Sector Marketing*, 11: 289-301.
- Blumberg, M. and C.D. Pringle, 1982. The missing opportunity in organizational research: Some implications for a theory of work performance. *Acad. Manage. Rev.*, 7: 560-569.
- Bosma, N., M. Van Praag, R. Thurik and G. De Wit, 2004. The value of human and social capital investments for the business performance of start-ups. *Small Bus. Econ.*, 23: 227-236.
- Chen, C.C, P.G. Greene and A. Crick, 1998. Does entrepreneurial self-efficacy distinguish entrepreneurs from managers? *J. Bus. Venturing*, 13: 295-316.
- Claessens, S., S. Djankov and L. Klapper, 2003. Resolution of corporate distress in East Asia. *J. Empirical Finance*, 10: 199-216.

- Cope, J. and G. Watts, 2000. Learning by doing-An exploration of experience, critical incidents and reflection in entrepreneurial learning. *Int. J. Entrepreneurial Behav. Res.*, 6: 104-124.
- Cope, J., 2003. Entrepreneurial learning and critical reflection discontinuous events as triggers for higher-level learning. *Manage. Learn.*, 34: 429-450.
- Cope, J., 2005. Toward a dynamic learning perspective of entrepreneurship. *Entrepreneurship Theor. Pract.*, 29: 373-397.
- Cope, J., 2011. Entrepreneurial learning from failure: An interpretative phenomenological analysis. *J. Bus. Venturing*, 26: 604-623.
- Corbett, A.C., H.M. Neck and D.R. DeTienne, 2007. How corporate entrepreneurs learn from fledgling innovation initiatives: Cognition and the development of a termination script. *Entrepreneurship Theor. Pract.*, 31: 829-852.
- Davidsson, P. and B. Honig, 2003. The role of social and human capital among nascent entrepreneurs. *J. Bus. Venturing*, 18: 301-331.
- Davidsson, P., 1991. Continued entrepreneurship: Ability, need and opportunity as determinants of small firm growth. *J. Bus. Venturing*, 6: 405-429.
- Deakins, D. and M. Freel, 1998. Entrepreneurial learning and the growth process in SMEs. *Learn. Organiz.*, 5: 144-155.
- Douglas, E.J. and D.A. Shepherd, 2002. Self-employment as a career choice: Attitudes, entrepreneurial intentions and utility maximization. *Entrepreneurship: Theo. Pract.*, 26: 81-90.
- Efrat, R., 2005. Bankruptcy stigma: Plausible causes for shifting norms. *Emory Bankr. Dev. J.*, Vol. 481.
- Ellis, S., R. Mendel and M. Nir, 2006. Learning from successful and failed experience: The moderating role of kind of after-event review. *J. Appl. Psychol.*, 91: 669-680.
- Gibb, A.A., 1997. Small firm's training and competitiveness: Building upon the small business as a learning organisation. *Int. Small Bus. J.*, 15: 13-29.
- Gilad, B. and P. Levine, 1986. A behavioral model of entrepreneurial supply. *J. Small Bus. Manage.*, 24: 45-53.
- Guerrero, M., J. Rialp and D. Urbano, 2008. The impact of desirability and feasibility on entrepreneurial intentions: A structural equation model. *Int. Entrepreneurship Manage. J.*, 4: 35-50.
- Hannafey, F.T., 2003. Entrepreneurship and ethics: A literature review. *J. Bus. Ethics*, 46: 99-110.
- Harris, S.G. and R.I. Sutton, 1986. Functions of parting ceremonies in dying organizations. *Acad. Manage. J.*, 29: 5-30.
- Headd, B., 2003. Redefining business success: Distinguishing between closure and failure. *Small Bus. Econ.*, 21: 51-61.
- Henley, A.B., C.L. Shook and M. Peterson, 2006. The presence of equivalent models in strategic management research using structural equation modeling assessing and addressing the problem. *Organiz. Res. Methods*, 9: 516-535.
- Hu, L.T. and P.M. Bentler, 1998. Fit indices in covariance structure modeling: Sensitivity to underparameterized model misspecification. *Psychol. Meth.*, 3: 424-453.
- Kim, P.H., H.E. Aldrich and L.A. Keister, 2006. Access (not) denied: The impact of financial, human and cultural capital on entrepreneurial entry in the United States. *Small Bus. Econ.*, 27: 5-22.
- Knott, A.M. and H.E. Posen, 2005. Is failure good?. *Strategic Manage. J.*, 26: 617-641.
- Krueger, Jr. N.F., M.D. Reilly and A.L. Carsrud, 2000. Competing models of entrepreneurial intentions. *J. Bus. Ventur.*, 15: 411-432.
- Krueger, N., 1993. The impact of prior entrepreneurial exposure on perceptions of new venture feasibility and desirability. *Entrepreneurship Theory Pract.*, 18: 5-21.
- Lee, S.H., M.W. Peng and J.B. Barney, 2007. Bankruptcy law and entrepreneurship development: A real options perspective. *Acad. Manage. Rev.*, 32: 257-272.
- Lin, N., 2001. Social Capital: A Theory of Social Structure and Action. Cambridge University Press, Cambridge, UK.
- Lin, N., W.M. Ensel and J.C. Vaughn, 1981. Social resources and strength of ties: Structural factors in occupational status attainment. *Am. Sociological Rev.*, 46: 393-405.
- MacInnis, D.J., C. Moorman and B.J. Jaworski, 1991. Enhancing and measuring consumer's motivation, opportunity and ability to process brand information from ads. *J. Marketing*, 55: 32-53.
- Mathieu, J.E., S.I. Tannenbaum and E. Salas, 1992. Influences of individual and situational characteristics on measures of training effectiveness. *Acad. Manage. J.*, 35: 828-847.
- McGrath, R.G., 1999. Falling forward: Real options reasoning and entrepreneurial failure. *Acad. Manage. Rev.*, 24: 13-30.
- Minniti, M. and W. Bygrave, 2001. A dynamic model of entrepreneurial learning. *Entrepreneurship Theor. Pract.*, 25: 5-16.
- Peters, L.H. and E.J. O'Connor, 1980. Situational constraints and work outcomes: The influences of a frequently overlooked construct. *Acad. Manage. Rev.*, 5: 391-397.

- Rae, D. and M. Carswell, 2000. Using a life-story approach in researching entrepreneurial learning: The development of a conceptual model and its implications in the design of learning experiences. *Educ. Train.*, 42: 220-228.
- Rosenbusch, N., J. Brinckmann and A. Bausch, 2011. Is innovation always beneficial? A meta-analysis of the relationship between innovation and performance in SMEs. *J. Bus. Venturing*, 26: 441-457.
- Rothschild, M.L., 1999. Carrots, sticks, and promises: A conceptual framework for the management of public health and social issue behaviors. *J. Marketing*, 63: 24-37.
- Segal, G., D. Borgia and J. Schoenfeld, 2005. The motivation to become an entrepreneur. *J. Entrepreneurial Behaviour Res.*, 11: 42-57.
- Shane, S., 2000. Prior knowledge and the discovery of entrepreneurial opportunities. *Organiz. Sci.*, 11: 448-469.
- Shapiro, A. and L. Sokol, 1982. The Social Dimensions of Entrepreneurship. In: *The Encyclopaedia of Entrepreneurship*, Kent, C., D. Sexton and K. Vesper (Eds.). Prentice Hall, New York, pp: 72-90.
- Shepherd, D.A., 2003. Learning from business failure: Propositions of grief recovery for the self-employed. *Acad. Manage. Rev.*, 28: 318-318.
- Shepherd, D.A., H. Patzelt and M. Wolfe, 2011. Moving forward from project failure: Negative emotions, affective commitment and learning from the experience. *Acad. Manage. J.*, 54: 1229-1259.
- Siemens, E., A.V. Roth and S. Balasubramanian, 2008. How motivation, opportunity and ability drive knowledge sharing: The constraining-factor model. *J. Oper. Manage.*, 26: 426-445.
- Singh, S., P. Corner and K. Pavlovich, 2007. Coping with entrepreneurial failure. *J. Manage. Organiz.*, 13: 331-344.
- Sitkin, S.B., 1992. Learning through failure: The strategy of small losses. *Res. Organiz. Behav.*, 14: 231-266.
- Stam, W. and T. Elfring, 2008. Entrepreneurial orientation and new venture performance: The moderating role of intra-and extraindustry social capital. *Academy Manag. J.*, 51: 97-111.
- Stevenson, H.H. and J.C. Jarillo, 1990. A paradigm of entrepreneurship: Entrepreneurial management. *Strategic Manage. J.*, 11: 17-27.
- Sutton, R.I. and A.L. Callahan, 1987. The stigma of bankruptcy: Spoiled organizational image and its management. *Acad. Manage. J.*, 30: 405-436.
- Ucbasaran, D., D.A. Shepherd, A. Lockett and S.J. Lyon, 2013. Life after business failure the process and consequences of business failure for entrepreneurs. *J. Manage.*, 39: 163-202.
- Uzzi, B., 1999. Embeddedness in the making of financial capital: How social relations and networks benefit firms seeking financing. *Am. Sociological Rev.*, 64: 481-505.
- Van Praag, C.M. and J.S. Cramer, 2001. The roots of entrepreneurship and labour demand: Individual ability and low risk aversion. *Econo.*, 68: 45-62.
- Ventakaraman, S., 1997. The distinctive domain of entrepreneurship research. *Adv. Entrepreneurship, Firm Emergence Growth*, 3: 119-138.
- Warren, E. and J.S. Westbrook, 1999. Financial characteristics of businesses in bankruptcy. *Am. Bankruptcy Law J.*, 73: 499-521.
- White, M.J., 1989. The corporate bankruptcy decision. *J. Econ. Perspect.*, 3: 129-151.
- Wu, Y., S. Balasubramanian and V. Mahajan, 2004. When is a preannounced new product likely to be delayed?. *J. Marketing*, 68: 101-113.