Entrepreneurial Morass and Serial Entrepreneurship:
An Exploratory Study of Korean Entrepreneurs' Self-Reported Impeding Factors on their Serial Venturing

by Young-Dall Lee and Myung-Soo Lee

"It ain't over 'til it's over." – Yogi Berra, a former baseball player of the New York Yankees

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Realizing that there is not an extant literature on the business failure research, we try to identify social and environmental impeding factors to serial entrepreneurship by utilizing a series of qualitative research techniques with a sample of Korean entrepreneurs. They reported different aspects of social and environmental challenges in their attempt to reestablish a new enterprise after previous failures. The outcome of this exploratory research reaffirms the pattern of impeding factors which are prevalent in the Korean entrepreneurial landscape, and we urge that government policy makers and entrepreneurship educators consider faltered entrepreneurs as an asset toward the next round of serial entrepreneurship development, rather than a burden to the society. Accordingly, a new perspective toward the importance of serial entrepreneurship has been proposed.

We identified unique factors in each of three stages of serial entrepreneurship development; incubation period between closing their previous business and starting their serial startup (ex-ante stage), new venture creation period (at-the-event stage), and initial kick-off stage (ex-post stage). An additional overarching factor across the three stages has to do with social and environmental obstacles which impede the successful launching of serial entrepreneurship, which can be a key threat to a sustainable entrepreneurial ecosystem.

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Introduction

Around the globe public policy makers and entrepreneurship educators strive to build an entrepreneurial ecosystem for their national and local economy in an attempt to support strong economic growth and to create healthy employment opportunities.

In so doing they primarily focused on the support and survival of novice entrepreneurs while ignoring the fact that there is a constant rate of failures in the entrepreneurial process and serial entrepreneurs can mitigate the negative consequences of venture failures by reengaging in a subsequent series of new entrepreneurial activities. By investigating the US census data from 1977 to 2000, Shane (2009) has empirically proved that failure should be accepted as a constant in entrepreneurial development process.

Realizing that there is not an extant literature on the business failure research, we try to identify social and environmental impeding factors to serial entrepreneurship by utilizing a series of qualitative research techniques with a sample of Korean entrepreneurs. They reported different aspects of social and environmental challenges in their attempt to reestablish a new enterprise after previous failures. The outcome of this exploratory research reaffirms the pattern of impeding factors which are prevalent in the Korean entrepreneurial landscape, and we urge that government policy makers and entrepreneurship educators consider faltered entrepreneurs as an asset toward the next round of serial entrepreneurship development, rather than a burden to the society. Accordingly, a new perspective toward the importance of serial entrepreneurship has been proposed.

Data Collection Method

Due to paucity of longitudinal data on entrepreneurial failures at the individual level, prior research has not addressed entrepreneurs' psychological, behavioral, contextual, and environmental dynamics in progress between closing their previous failed businesses and starting their new entrepreneurial ventures. Through qualitative data collection methods, we investigated impeding factors that serial entrepreneurs had experienced as dominant challenges toward developing a serial entrepreneurial venture after their earlier failures. Five focus group interviews and two serial venture creation workshops were utilized for data collection. In total, 190 Korean failed entrepreneurs

cumulatively participated in this exploratory study and shared their experiences and perceived impeding factors.

Empirical Research Findings

After summarizing all the comments and discussion points from the focus group interviews and written feedback from two workshop participants, we sorted them into four different distinct impeding factors that serial entrepreneurs have faced in the development process. We identified unique factors in each of three stages of serial entrepreneurship development; incubation period between closing their previous business and starting their serial startup (*ex-ante* stage), new venture creation period (*at-the-event* stage), and initial kick-off stage (*ex-post* stage). An additional overarching factor across the three stages has to do with social and environmental obstacles which impede the successful launching of serial entrepreneurship, which can be a key threat to a sustainable entrepreneurial ecosystem.

At the incubation stage (***ex-ante***), serial entrepreneurs are facing so called "**residual liabilities**" from the previous failures including (1) unpaid accrued taxes, wages, commercial debts, and default bank loans, (2) supporting their family living, (3) soured relationships with ex-employees, and (4) pending legal and administrative obligations in the process of business closing and liquidation.

During their new venture creation period (***at-the-event***), serial entrepreneurs are experiencing significant challenges labeled as "**lack of key developmental capitals**" caused by (1) wrecked credit and credibility, (2) limited access to financial resources, (3) damaged personal reputation and relationship capital, (4) lack of core-self-evaluation and self-confidence, (5) difficulty in obtaining professional advice and necessary technology, and (6) isolation from industry professional networks.

At the initial kick-off stage (***ex-post***), serial entrepreneurs are standing against "**constraining suppressors**" illustrated by (1) favorable government policies toward only new startups, (2) restrictions to apply for public funding due to damaged credit records, and (3) limited access to institutional supports from central and local government agencies.

On top of those three key impeding factors, the qualitative research found out that serial entrepreneurs have to overcome "**social and environmental**

obstacles" which are rampant in the Korean society. They are 1) very negative social stigma on failed entrepreneurs, (2) minimal level of social safety net for failed entrepreneurs, and 3) insufficient professional support infrastructure to mitigate psychological and motivational damages caused by earlier failures.

We also found out that the average incubation period between the closing of the failed venture and the next business creation is 55 months on average, during which the serial entrepreneurs endure the harsh impeding factors outlined above. To the question of whether the serial entrepreneurs would recommend entrepreneurial venture creation as a career choice to others, they answered negatively in proportion to the number of obstacles they had to overcome as they attempted to escape from the entrepreneurial morass successfully.

Policy Implications and Future Research Agenda:

This exploratory investigation identified structural and social obstacles that serial entrepreneurs are facing to overcome before they successfully incubate, launch, and manage a subsequent entrepreneurial venture in Korea. Given the findings, we can come up with two key policy implications.

First of all, an existing and most popular paradigm of focusing predominantly on novice venture creation has to be changed to recognize and acknowledge the important contribution of serial entrepreneurs who might have failed in their prior ventures and have overcome those insurmountable obstacles.

Secondly, we need to devise a systematic program to change the negative and stigmatic attitudes toward failed entrepreneurs. While we would not encourage them to fail in any ventures but, once they fail, we should not penalize them when they subsequently attempt to develop a new venture based on the lessons they have learned from earlier failures. Society should consider the cumulative knowledge gleaned from those failures as societal assets toward developing serial entrepreneurial activities. There is significant evidence that entrepreneurial failure is given with a constant rate under different economic and cultural environments around the world. What is significantly different is in the ways each country deals with the consequences of the entrepreneurship failures.

To foster and encourage serial entrepreneurs to be a main contributing

force to a sound entrepreneurial ecosystem, government policy should take a drastic turn toward (1) instigating social and cultural changes to be more tolerant toward entrepreneurial failures, (2) building a social safety net for failed entrepreneurs, (3) rendering an institutional support for post-failure management of residual liabilities, (4) helping to secure financial resources after insolvency and liquidation of the prior failed venture, and (5) developing and executing an integrated supporting system for the serial entrepreneurs. The total effort should be systematic and sustaining in each of the development stage of serial entrepreneurial ventures to be most effective and impactful.

More systematic and theoretical research should be conducted in this area of serial entrepreneurship field. Immediate fruitful research topic can be to answer the questions of who serial entrepreneurs are and how to identify them to support their efforts.

References

Scott A. Shane (2009). "Failure is a Constant in Entrepreneurship", *The New York Times*, 17 July