Journey's End: A dynamic framework of entrepreneurial processes and capitals relating to early-stage business exit

Abstract

Purpose: This paper responds to the call by McMullen and Dimov (2013) for a clearer understanding of entrepreneurial journeys by investigating the entrepreneurial capitals and micro-processes of seven young early-stage entrepreneurs who all exited their businesses within three years of start-up.

Design/methodology/approach: The authors analysed empirical data from concurrent in-depth interviews which generated rich longitudinal case studies. Theory-building then led to a proposed 'Longitudinal Dynamic Process Framework' of entrepreneurial goals, processes and capitals.

Findings: The framework builds on prior studies by integrating entrepreneurial processes and decisions into two feedback loops based on continuous review and learning. It thereby enhances understanding of the dynamics of new business development and unfolds the early-stage ventures entrepreneurs' business exits.

Originality: The concurrent longitudinal analysis and theory-building complements extant cross-sectional studies by identifying and analysing the detailed processes of actual business start-ups and exits. The proposed framework thereby adds coherence to earlier studies and helps to explain early-stage entrepreneurial development, transformation of capitals, and business exit.

Research implications/limitations: The findings are based on a small purposive sample. However, the main implication for research and theory is showing how the

entrepreneurial capitals are dynamic and influenced by entrepreneurs' environment, and also separating entrepreneurs' personal issues from their business issues.

Practical implications: The findings challenge some assumptions of policymakers and offer new insights for practitioners and early-stage entrepreneurs. These include having more realistic case-studies of the entrepreneurial journey, recognizing the need to be agile and tenacious to cope with challenges, understanding how capitals can interact in complementary ways and that entrepreneurial processes can be used to leverage them at appropriate stages of the start-ups.

Article Type: Research paper.

Keywords: Early-stage entrepreneurs; entrepreneurial capitals; entrepreneurial processes; business exit; longitudinal research

Introduction

> "*We propose that a shift in inquiry from entrepreneurship as an act to entrepreneurship as a journey could facilitate process-oriented research by initiating a dialogue about* ***the nature of the entrepreneurial journey****, when it has begun and ended, whether it might be* ***productively subdivided into variables or events****, and what if anything remains* ***constant*** *throughout the process.*" (McMullen and Dimov, 2013: 1481)

Entrepreneurship researchers have called for process-oriented approaches to explain the emergence and creation of new business ventures (McMullen and Dimov, 2013; Sarason *et al.*, 2006; Selden and Fletcher, 2015). However, as well as starting, entrepreneurial journeys also end. Investigating engagement in entrepreneurship as a

journey enables the events and resources leading to different outcomes, including exit, to be addressed (McMullen and Dimov, 2013). This article, therefore, examines what these scholars call a "transformative process" leading to "goals, actions and systematic outcomes." Specifically, McMullen and Dimov (2013: 1507) highlight that, "Few studies trace this journey from start to finish," and the current paper serendipitously does just that. Early-stage entrepreneurs may exit from their entrepreneurial endeavours through a lack of experience and shortcomings in entrepreneurial capitals, such as economic, cultural, social, and symbolic capital, as defined here and expanded on below in the literature review (Pret *et al.*, 2015; Shaw *et al.*, 2009): (1) *economic capital*: financial, intellectual and tangible assets; (2) c*ultural capital*: personal attributes, skills and education; *social capital*: broad-based memberships, relationships, networks, and alliances; and (4) *symbolic capital*: awards, publicity, prestige and reputation in the industry, and their markets (Pret *et al.*, 2015). The role of capitals in entrepreneurial journeys is not straightforward and, as Pret *et al.* (2015) noted, the strength of each form of capital changes over time.

Previous researchers have suggested several reasons why entrepreneurs exit their businesses ranging from financial (Shepherd, 2003) to non-financial perspectives (McGrath, 1999). Wennberg and DeTienne (2014) summarized the triggers and outcomes of entrepreneurial exit by separating personal issues from business issues, while others investigated exit decisions (DeTienne, 2010). Nonetheless, relatively little research addresses the exit of early-stage entrepreneurs and the role of entrepreneurial capitals and processes.

The purpose of this study is to investigate how business processes and entrepreneurial capitals transform and shape entrepreneurial engagement in the whole entrepreneurial journey. A 'Longitudinal Dynamic Process Framework (LDPF)' is

developed and used to study the processes leading to early-stage exits from entrepreneurship. The LDPF is a dynamic framework (Elfving *et al*., 2009) depicting nascent entrepreneurial processes and comprising feedback loops driven by learning from decisions and actions (Cope, 2011). One loop encompasses entrepreneurial capitals (Pret *et al*., 2015) and the other encompasses the entrepreneur's superordinate goals (Elfving *et al*., 2009). This approach helps to explain how entrepreneurial capitals and processes transform the early-stage entrepreneur's decisions about their new ventures – an area that has previously been neglected.

The current study provides three main contributions. First, the LDPF is introduced which integrates and adds coherence to findings and concepts from prior studies (Cope, 2011; Davidsson, 2015; Elfving *et al.*, 2009; McMullen and Dimov, 2013; Mullins and Komisar, 2009; Selden and Fletcher, 2015). It is thus both a theoretical and practical contribution and helps to explain how individual goals and processes relate to entrepreneurial capitals (Pret *et al.*, 2015; Shaw *et al.*, 2009). These two articles explained how temporal changes in each type of capital can affect the entrepreneurs' decision-making and thus might have a decisive role in the continuation, or otherwise, of their businesses (ibid). For instance, shortcomings in their non-economic capitals (e.g., symbolic) may affect their ability to access the resources and markets (Klyver and Schenkel, 2013) they need to sustain their new ventures (Kellermans *et al*., 2016). Entrepreneurial capitals represent dynamic capabilities for entrepreneurs (Newbert, 2005) and are also influenced by external conditions (Honig and Hopp, 2019; Zahra et al., 2006) and are thus important perspectives to be considered. The previously unidentified theoretical combination of capitals, processes and entrepreneurial events makes the LDPF uniquely relevant for integrating the multiple challenges facing early-stage entrepreneurs. In addition, with better foresight from using the LPDF to reflect on

individual cases, start-up mentors can refine their support in the selection, training and encouragement of nascent entrepreneurs.

Second, a theoretical contribution is offered to the literature on entrepreneurial exits. According to Wennberg and DeTienne (2014), much extant research conceives survival and exit as dichotomous, with survival being good and exit being bad, whereas the practitioner press contains many positive articles about exit. Wennberg and DeTienne (2014, p. 8) claim that: 'exit from a potential, nascent, or established business entails very different contexts of disengagement, ranging from a passive position to not start a venture to increasingly active positions of exit by established entrepreneurs.' Their findings also suggest that the development of the participants' entrepreneurial capitals aided their business skills and employability. This study exploits a rare and serendipitous opportunity to investigate concurrently the business processes and entrepreneurial capitals of seven young early-stage individuals in shaping their entries and eventual exits from their entrepreneurial endeavours. The approach enables explanation of the development of entrepreneurial capitals during the early stages of the entrepreneurial process and provides a nuanced approach that fulfils the calls for longitudinal research into nascent entrepreneurship (e.g., Klyver and Arenius, 2020) and exit from early-stage entrepreneurship as distinct from exit from established (Wennberg and DeTienne, 2014) firms.

Third, the longitudinal research design makes methodological contributions. The purposive small sample approach and in-depth interviews every six months enabled prolonged longitudinal investigation of early-stage development, eventual exit (Khelil, 2016), and post-exit activities. Thus, the limitations in interpreting from the extant cross-sectional studies are overcome. Process analysis contributes to an understanding of how early-stage entrepreneurs' decisions interact with their emergent goals,

entrepreneurial learning and ongoing business opportunities. The study, therefore, develops further the proposal by Dimov (2010) that opportunities are continually re-evaluated, by extending the concept to include wider business processes and changes to levels of entrepreneurial capitals. Indeed, it has been observed that, in seeking and exploiting opportunities, "entrepreneurial journeys are dynamic processes requiring continual adjustments by actors" (Garud and Guiliani, 2013: 159). Further, it aligns well with the map of future research priorities unveiled by Dimov (2020), and specifically with regard to the entrepreneurial journey as a dynamic and *temporal* process.

The paper is structured as follows. First, the extant literature on entrepreneurial capitals and business exit is reviewed. Second, the methods section describes and explains how data were collected and analysed. Third, the findings regarding business processes and entrepreneurial capitals are presented, leading to the new Longitudinal Dynamic Process Framework. Fourth, the findings are discussed in relation to the extant literature, and finally, implications for practice and policy are offered, and the limitations of the study suggest future research directions.

Theoretical background

Entrepreneurial journeys

Entrepreneurial journeys are shaped by the events that entrepreneurs face and the resources they obtain, and these dictate the entrepreneurial success or the lack thereof (McMullen and Dimov, 2013). During their journeys, entrepreneurs need to collect information continuously and learn about their surroundings (Honig and Hopp, 2019; McMullen and Dimov, 2013), gain legitimacy (Fisher *et al.*, 2016; Wry *et al.*, 2011), decide on necessary actions (Baron, 2008), and gather and organize the necessary resources (Klyver and Schenkel, 2013). Through obtaining and mobilizing

their economic, cultural, social, and symbolic capitals (Pret *et al.*, 2015; Shaw *et al.*, 2009), entrepreneurs navigate through various challenges and events during their entrepreneurial journeys.

Entrepreneurial capitals

In exploiting opportunities, entrepreneurs mobilize and orchestrate resources (Clough *et al.*, 2019; Klyver and Schenkel, 2013) and Pret *et al.* (2015) refined this categorization to the four types of Bourdieuian (Bourdieu, 1986) entrepreneurial capitals through which entrepreneurs initiate and navigate their entrepreneurial journeys.

Economic capital comprises the entrepreneur's financial, intellectual and tangible assets (Pret *et al.*, 2015). Some entrepreneurs regard economic capital as very important, but even if they do it can be suggested that entrepreneurial resource mobilization overemphasizes the role of economic capital (Clough *et al.*, 2019). Liao *et al.* (2008) showed that economic capital can hinder nascent entrepreneurs' discontinuance, and thus, the role of economic capital for early-stage entrepreneurs remains unclear (Klyver and Schenkel, 2013).

Cultural capital covers personal attributes, skills and education (Pret *et al.*, 2015). These can predict the extent of the engagement in an entrepreneurial journey (Zhao *et al.*, 2005), but they also outline an individual's capacity to navigate the journey (Davidsson and Honig, 2003; Mosey and Wright, 2007).

Social capital consists of broad-based memberships, relationships, networks, and alliances (Klyver and Arenius, 2020; Pret *et al.*, 2015). Entrepreneurs gain access to information and receive trust and emotional support through social capital (Klyver and Schenkel, 2013; Liao and Welsch, 2005), which generate unique assets for them (Kellermans *et al.*, 2016).

Symbolic capital comprises awards, publicity, prestige, goodwill and reputation in the industry and their markets (Pret *et al.*, 2015). These signal how legitimate the entrepreneurs are in front of different audiences (Fisher *et al.*, 2016) and how these audiences, such as investors, customers and competitors, perceive early-stage entrepreneurs' behaviour and actions (Ebbers and Wijnberg, 2012).

Entrepreneurial capitals are both tangible and intangible assets that conceptually generate valuable gains and advantages for entrepreneurs (Kellermans *et al.*, 2016). However, during the early stages of their journeys, entrepreneurs usually have limited levels of them (Baker and Nelson, 2005) and yet moving from an idea to establishing a new venture requires resources (Aldrich and Martinez, 2001) especially in the entrepreneurial journey (Cha and Bae, 2010; Morris and Kuratko, 2020), and thus, the scarcity of these critical capitals motivate entrepreneurs to seek or 'make do' with what they have at hand (Baker and Nelson, 2005; Davidsson *et al.*, 2017). Theoretically, it is assumed that entrepreneurial capitals accumulate over time, and accordingly, entrepreneurial capitals have the potential to generate difficult-to-imitate advantages similar to those suggested in the resource-based view of the firm (Barney, 1991; Kellermans *et al.*, 2016). However, since the gathering and use of entrepreneurial capitals span different time periods, their influence on the entrepreneurial journey is dynamic in nature and the entrepreneur's subjective beliefs about what goods she is producing and how and when to produce them are constantly changing (McMullen and Dimov, 2013). The micro-processes through which entrepreneurs make use of their limited entrepreneurial capitals are shaped by environmental conditions and entrepreneurs' prior knowledge (Zahra *et al.*, 2006). Hence, the specific activities, the micro-processes, which entrepreneurs execute in order to obtain, organize or leverage

their entrepreneurial capitals appear as a dynamic capability for entrepreneurs (Newbert, 2005) to learn about to help guide their journeys.

Pret *et al.* (2015) found that, as entrepreneurs transformed and converted (as theorized by Bourdieu, 1986) their entrepreneurial capitals, the strength of each one changed and influenced their ongoing business decisions. For instance, Mosey and Wright (2007) recognized that the social capital networks of less experienced entrepreneurs are often narrow, may even have "structural holes" that could hinder them, and are influenced by the strength of network ties (Klyver and Arenius, 2020). Furthermore, Pret *et al.*'s (2015) participants downplayed economic capital, suggesting that an excessive focus on finance could obscure the importance of the other capitals. For instance, having more economic capital might encourage riskier behaviour than they might normally accept. Having high levels of cultural capital (Jayawarna *et al.*, 2014) or social capital (Mosey and Wright, 2007; Shane and Cable, 2002) can strongly predict early-stage entrepreneurship. Overall, a longitudinal (rather than cross-sectional) approach could explain more rigorously the important role of entrepreneurial capitals and how and why they are transformed dynamically and how the entrepreneurial journeys unfold (McMullen and Dimov, 2013).

Business exit

Early-stage entrepreneurship is a precarious process, and many new ventures perish while emerging (Renko, 2013; Reynolds and Curtin, 2008). Early-stage entrepreneurs require access to entrepreneurial capitals as necessary – but not sufficient – conditions of success (Kellermans *et al.*, 2016), and hence, the micro-processes through which capitals are utilized also shape how the entrepreneurial journeys unfold. Previous research on exit from early-stage entrepreneurship has addressed the background of those disengaging (Hessels *et al.*, 2011), the reasons for, and conditions

of, exits (DeTienne, 2010; Hsu *et al.*, 2016), and even its strategic types (DeTienne *et al.*, 2015). Due to the multisided nature of business exits (Wennberg and DeTienne, 2014), the dynamics of entrepreneurial capitals and the micro-processes involved, which possibly lead to business exit should be further scrutinized.

The definitions of business exit are dominated by the financial perspective (Shepherd, 2003), but its non-financial perspectives are not neglected (McGrath, 1999). Although originating in the finance literature and later adopted by entrepreneurship scholars, the concept of business failure has neither a 'universally accepted definition' nor 'an underpinning theory' (Walsh and Cunningham, 2016). However, this study adopts the definition of Ucbasaran *et al.* (2013, p. 175) that business failure is a 'cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the entrepreneur'. Wennberg and DeTienne (2014) summarized the triggers and outcomes of exit by separating entrepreneurs' personal issues (such as the adequacy of entrepreneurial capitals) from their business issues. Further, Davidsson (2015) highlighted the 'external enabler' (e.g., business support, family pressure), the 'new venture idea' (e.g., other business or employment options), and 'opportunity confidence' (e.g. the advantages and disadvantages of each option). While these issues are relevant to exit, less is known about the actual process of exit – and the related role of entrepreneurial capitals – at ventures' early stages. Limited experience (cultural capital), for example, can explain exit intentions (DeTienne and Cardon, 2012).

Some inexperienced entrepreneurs concentrate on trying to prevent exit rather than extracting learning from the process (Mitchell *et al.*, 2008) but, in general, those with less experience tended to be overconfident as they did not realize that they had insufficient knowledge. Politis and Gabrielsson (2009) found that closure due to poor

business performance was a good source of learning, whereas closure for personal reasons was not. Overall, then, not enough is known about learning at the early stages and the role of entrepreneurial capitals.

The 'entrepreneurial exit' decision was proposed as one of four key entrepreneurial activities by Shepherd *et al.* (2014) and involved, *inter alia*, the experience (cultural capital) of entrepreneurs. DeTienne (2010, p. 203) sought to understand how, when, and why the entrepreneurs decided to exit, but found very little research that addresses early-stage entrepreneurs. The extensive literature on exit and the exit decision (such as Cope, 2011; Cope *et al.*, 2004; DeTienne and Chirico, 2013; Headd, 2003; Ucbasaran *et al.*, 2011; Ucbasaran *et al.*, 2010; Walsh and Cunningham, 2016, 2017) is relatively uninformative about these early-stage exits. Hence the focus of this study on understanding the dynamics of entrepreneurial capitals, the micro-processes of exit and the development of the integrative Longitudinal Dynamic Process Framework.

Methods

This project was initiated by the lead author as he had lived for many years in the North East of England with its long-term socio-economic challenges, especially in the realm of entrepreneurship (Greene *et al.*, 2008), and also in retaining graduates who are forced to migrate to London to obtain employment (Johnson *et al.*, 1993). Many such graduates might become entrepreneurs and the lead author had collaborated with University teams encouraging *local* entrepreneurial activity by graduates and was also a freelance trainer/adviser on digital creative start-up initiatives.

The current study adopts an interpretive ontology to explore the complex interplay of factors involved in early-stage entrepreneurial processes and how exits are enabled

and/or constrained by entrepreneurial capitals, learning and goals. Ethnographic methods were resisted, as they could be potentially intrusive for participants whose entrepreneurial journeys were sensitive. Instead, a longitudinal perspective was adopted to identify issues that prior cross-sectional studies neglected.

Unlike the focus on variables, as in cross-sectional research, this study's 'unit of explanation' is various factors affecting the whole entrepreneurial journey (McMullen and Dimov, 2013). Concurrent (and not retrospective) interviewing was preferred because of recall issues that could lead to inaccurate attributions. The case study approach (Yin, 2014), which helps in understanding how and why decisions are taken, using longitudinal comparative data analysis (Mosey and Wright, 2007) based on in-depth, semi-structured interviews, was thus chosen. An interval of six months for up to five years was mutually decided by the interviewer and participants to elicit sufficiently new situations, to make the study parsimonious, and to avoid excessive interviewing that would overcomplicate the analysis. Semi-structured interviews enabled sensitive topics to be addressed (Saunders *et al.*, 2019), and encouraged participants to explain the 'how and why' of predicaments, thus maintaining a balance between exploration and control via the use of open-ended and directed questions respectively. The longitudinal approach revealed long-term issues and, unexpectedly, all the participants exited their ventures during this period. The seven participants had been purposively sampled (by the lead author) using selection criteria that required them to be early-stage entrepreneurs (Greve and Salaff, 2003) starting a creative sector business in the North East of England, with no new-venture experience, and attending a business start-up programme.

The North East of England has been lagging in economic indicators and entrepreneurship measures for decades (Greene et al., 2008), despite many

entrepreneurship initiatives, including the development of creative sector hubs (Mateos-Garcia and Bakhshi, 2016). The trainers, including the lead author, were interested in identifying ideas to improve their programme designs and entrepreneurial support. Moreover, focusing on this geographical area and the creative sector allowed the authors to address the entrepreneurial journeys in a fairly homogenous context (Davidsson *et al.*, 2001).

As the participants had limited prior business or start-up experience (cultural capital), steep learning curves were anticipated. However, having been selected by panels to attend business start-up programmes providing a year's extensive training, mentoring and financial assistance, they were expected to have reasonable prospects of business success.

An initial cohort of three participants enabled the interviewing and data analysis processes to be established and the others were added after the first year. The lowest number of interviews was six (George), who was late to join the project and the first to leave (due to moving to London). The length of time on the study and the number of interviews are both shown in Table 1.

The initial interview guide covered the main business processes (e.g., marketing, operations, team-working and finance) and the participants' personal and creative roles. The interviews all lasted around two and a half hours to allow sufficient time to explore issues in depth. This tactic gave important freedom as the intention was to study of the graduates' entrepreneurial journeys wherever, and however, they went. Typical open questions included: What has happened since the last interview, and why? How do you feel about your current situation? What do you plan to do next? All the interviews were transcribed and analysed by the lead author, which prevented any interpretation ambiguity that could arise with multiple interviewers and such a large body of data.

To avoid confounding influences, the interviewer offered no direct business advice to the participants once they had been recruited for the study. To check on internal validity, reflective questions allowed issues to be explored before, during and after they had occurred, and additional probing ensured that the participants' responses gave authentic accounts of their events. The questioning inevitably caused the participants to reflect on their situations and re-evaluate their business, personal or creative directions and reflexivity required the interviewer to be aware of this effect in the research process (Alvesson and Sköldberg, 2000). The interviewer's own experience sensitized him to assess and interpret the information from the participants.

The primary data collection from interviews was further supported by a small amount of triangulation via multiple sources (Miles *et al.*,2014) including social media, business plans and questionnaires. These secondary sources provided useful context for the interviewer, suggested additional lines of questioning, and provided cross-checks on potential biases. The participants were geographically located sufficiently apart to have negligible contact with each other which might otherwise have introduced contagion in their responses. Reassuringly, anonymity of responses, minimal contact between participants, and professional treatment by the interviewer cultivated a level of trust, which was necessary to encourage authentic accounts. The 57 interview transcripts comprised over one million words.

The transcripts were condensed by manually coding and extracting key statements using NVivo (Gregorio and Davidson, 2008), whilst carefully retaining the participants' 'voice'. The coded text was then transferred (along with audit trail tags) into a Microsoft Word master-list for each participant, sorted by theme, and colour coded by interview dates. Below is an example from the 18-month interview with

Andrew, coded in ‘Product development’ and tagged as ‘Learning processes’. Note the audit code which links back to the interview transcripts.

- *I'm beginning to look at things and think "how can I use [that] to add value to their business whilst also benefiting myself?". (A18:34)*

The initial analysis was structured around on-going emergent themes from the transcripts. After 24 months the condensed, coded and categorized data were shared with each of the first three participants to ensure that the methodology was valid, and that the analysis fully reflected their situations and actions.

The primary data, therefore, consisted of interviewees’ perceptions of their business processes, future plans, and reflections on the past. In addition, as their paths began to diverge, analysis of the interview transcripts revealed individual themes, for instance: personal confidence (Fiona),[1] obsession with technology (Andrew), frustration with advisors (Belinda), and an inability to establish start-up teams (George). Hence, the transcripts helped to identify how the participants’ personalities intersected with business, personal and work-related external triggers, and how their entrepreneurial capitals were restructured across time.

The purpose of the research was to explore the entrepreneurial journeys of the seven participants, regardless of their outcomes so that, following Eisenhardt (1989), there was continual interaction between data collection, data analysis and theory building. For instance, it became clear early on that each participant was having to cope with competing business, personal and creative objectives and that, at times, the

[1] Participants have been anonymized: Andrew, Belinda, Colin, David, Edgar, Fiona, and George.

business objective was not the most important to them. Finally, data was analysed both within and between cases, seeking cross-case patterns to generate the longitudinal process framework, as suggested by Eisenhardt (1989).

Findings

Overview

Due to the richness of the data, only selected findings can be presented; thus, Andrew is used as a case example to illustrate the analysis methods, after which the broader findings cover the other participants. He was chosen as his interviews lasted for the full five years, and he exemplifies the most important issues experienced by the participants. After a brief introduction, the findings are presented in three sections. First, a longitudinal analysis of entrepreneurial capitals and how and why they changed over time. Second, an analysis of the causes of the business exits and, third, an analysis of dynamic entrepreneurial processes structured using the proposed LDPF. These three viewpoints show different perspectives on the very varied entrepreneurial experiences of the participants, thereby substantiating the subsequent discussion section.

Table 1 provides an overview of the participants. Four businesses lasted three years; two were closed within a year (Belinda and David); and one never started (George). The latter three participants undertook a mix of part-time work and self-employment and were interviewed for about three years in total to investigate their post-exit activities. Six participants exited entrepreneurship completely because their businesses did not achieve a sufficient level of profit to survive and to constitute their main sources of income and George did not start up. All participants progressed eventually into satisfactory employment, but only two of them in the creative sector (Andrew, Belinda). All experienced early-stage exit and were, therefore, different from

established business exits as investigated in much prior literature (e.g., Cope, 2011; DeTienne, 2010; DeTienne *et al*., 2015; DeTienne and Chirico, 2013; Hessels *et al*., 2011; Hsu *et al*., 2016; Khelil, 2016; McGrath, 1999; Wennberg and DeTienne, 2014).

—Insert Table 1 about here—

Longitudinal entrepreneurial capitals

The initial analysis revealed how entrepreneurial capitals impacted on the participants' entrepreneurial journeys, sought the causes that transformed the capitals, showed how these capitals interacted with each other, and whether the capitals thus helped to explain their early-stage entrepreneurial start-up.

Although some creative start-ups are based on innovative products, six of the seven in this study were imitative businesses – emulating existing successful businesses in the sector, albeit some with minor competitive innovations – for instance, clothes designed by graduates (Belinda) and animation of 'swarms' (Edgar). As a result, their initial entrepreneurial capital gap was minimal and able to be bridged by the start-up programmes. Only one (George) was trying to be truly innovative and he proved to lack the skills and resources needed to assemble and fund expensive start-up teams. This finding is supported by Cliff *et al*. (2006) who observed that less experienced entrepreneurs started imitative ventures, whereas experienced founders were innovative.

The exemplar participant, Andrew, started as a promising designer of websites which he had studied and enjoyed at university. He also could deliver complex assignment projects effectively and punctually.

> *[At University] I switched onto the web development degree and that was like lighting the touch-paper, and there has been no looking back…..*
>
> *[I] just generally keep improving my design skills and keeping myself up-to-date with new ways of doing something and new design ideas.*

After graduation, he worked for nearly a year as a technical designer in a website company, and so gained some business knowledge, but had no start-up exposure. Finding the work boring and stressful, he resigned and attended a growth business start-up course at the local university, receiving financial and in-kind support in his first year.

> *[Start-up programme] was really really really valuable. It re-introduced the concepts done on the GNVQ. They gave me one-on-one sessions so I could talk about my ideas.*

By attending meetings, workshops and presentations he participated well in the community of new entrepreneurs, who were all attempting to start digital businesses. His sales income was very low, but he survived for three years on Job Seekers Allowance (a UK welfare payment) and support from his family. After three years, both sources of support dried up and an IT vacancy arose at his brother's workplace.

> *I had been applying for retail jobs, and one day, out of the blue, I got a phone call from my brother saying he thought there was a job for me.*

He was suddenly re-energized, as he was financially independent, learning new technology, and did not have to sell websites anymore. Later he moved on to a better job in a larger website design company, and all his personal and creative development goals (a pleasant apartment, a good salary, and interesting technical work) were achieved just before he was 30 years old. He swears that he will remain a 'geek' and never try starting a business again – entrepreneurship was not a happy experience.

> *'Geek as a badge of honour' definitely! Still pushing myself as being a geek.*

Overall, Andrew's insufficient social capital affected his economic capital as he was unable or unwilling to build sales and marketing networks. This deficiency also seriously affected his symbolic capital and his ability to find sales leads, or partner with someone who could.

> *[A sales partner] is an option but would mean bringing somebody else in, which I'm not prepared to do.*

Figure 1 shows how Andrew's entrepreneurial capitals changed over time, and some of the key causal links.

—Insert Figure 1 about here—

Initially, Andrew had high levels of creative cultural capital and fairly strong levels of symbolic capital arising from being associated with his *alma mater*. However, he did not develop adequate levels of bridging social capital, which was then problematic when he returned to his hometown where he did not cultivate networks in the local market or industry, or build symbolic capital (reputation) to support sales.

[Now] I feel a little bit on the outside looking in.

The very low sales income meant insufficient economic capital to survive, and, by his third year, all the capitals had become very weak and thus he became reluctant to ever consider returning to entrepreneurship. The above brief analysis reveals some causal mechanisms but calls for a more systematic approach to understand fully the processes of his early-stage entrepreneurship.

Causes of business exits

The underlying causes of the business exits of all the participants are next examined. Initially, all seven participants had no business start-up experience (cultural capital) and limited symbolic and social capital. Economic capital, which was provided initially by the generous start-up programmes, was later overstretched due to new family commitments and higher income aspirations. Bridging social capital was enhanced, but not sufficiently to sustain the level of symbolic capital required to survive in very competitive business sectors. Some negative aspects of their entrepreneurial capitals, especially those related to their underlying personalities, affected both the start-

up and exit stages as they were not able to correct their weaknesses, despite being intelligent graduates and having substantial business support.

The development of the participants was, in part, influenced by personal attributes (initiative, flexibility, and tenacity), as an element of cultural capital, and by the necessary entrepreneurial flexibility to invest in learning, to exploit opportunities, and to react to their changing and demanding markets. For instance. they needed to adapt their product portfolios to rising customer expectations of product quality and lower prices as digital technologies advanced. Examining each participant through the lens of entrepreneurial capitals adds to extant understanding of their individual journeys as the cameos in Table 2 demonstrate.

—Insert Table 2 about here—

The table shows that the shifts and interchanges between the different forms of entrepreneurial capitals over time were often major, sometimes driven by external factors (e.g., the cessation of grants and support), and sometimes by the entrepreneurs' own actions (e.g., improved business and creative skills). Their changing circumstances led the entrepreneurs to review continually whether to continue the current business model, pivot to a new business model (Mullins and Komisar, 2009), alter their business processes to exploit new opportunities (Dimov, 2010) or to exit the business altogether. For instance, the liabilities of being new in the industry and small in the market could be partially overcome by cultivating strong bridging social capital via professional networks and alliances (Edgar, Colin), as well as informal communities of practice (Belinda).

As with Andrew, all participants demonstrated shifts in entrepreneurial capitals over time which impacted on their success, as summarized in Table 3. Despite selecting a tightly bounded sample of participants, their entrepreneurial capitals had very

different degrees of impact on their businesses – which is consistent with their varied entrepreneurial journeys.

—Insert Table 3 about here—

As an example of social capital, several negative issues relating to founding teams (which are important for start-up (Muñoz-Bullon *et al*., 2015)) were observed. Andrew and Fiona were both very poor at marketing and selling and probably needed a business partner who had these complementary skills, but preferred not to take one on. George needed credible founding teams to support his ambitious business plans but failed each time. David was part of a group of four who were friends from University and never really gelled as a team. They generated too little income, so each member was moonlighting, and the business soon collapsed. More positively, Edgar was part of a founding team of two who worked together very well for three years – gradually differentiating their roles with Edgar taking the lead business role. Colin and Belinda were sole founders, but both brought in temporary team members when necessary.

Although the participants in this study did attempt to develop their skills, their efforts were inadequate to prevent exit from their businesses.

The Longitudinal Dynamic Process Framework

The initial data analysis described above led to the development of the diagrams in Figure 1 and in the 'Online supplementary material' which show how and why the entrepreneurial capitals changed during nascent entrepreneurship (Pret *et al*., 2015). However, the process of identifying the causal effects, as exemplified by the arrows between capitals in the diagrams, was a pragmatic procedure that depended on the experience of the researcher. The authors, therefore, sought a systematic framework of entrepreneurial processes that could shed light on the causes and effects, and facilitate identification of issues relevant to each individual for both research and practice.

Examples of potential causal issues that were observed, using a mix of in-case and cross-case analysis (Eisenhardt, 1989), included finding and utilising business support, identifying new ideas for products or services, changing behaviour based on learning from outcomes, leveraging entrepreneurial capitals and balancing competing business, personal and creative goals.

These issues were incorporated into a novel framework – the LDPF – which was then developed further by an iterative process (Strauss and Corbin, 1997) in which the initial theory was tested against each of the individual participants and also across cases.

The resulting LDPF (Figure 2) recognizes the importance of the dynamic processes that link goals, entrepreneurial capitals and the current state of both the entrepreneur and the business. It incorporates entrepreneurial capitals and integrates them with a reconceptualization of opportunities (Davidsson, 2015; Dimov, 2010), dynamic changes to entrepreneurial intent (Elfving *et al.*, 2009), and shifting business, creative and personal goals (ref anonymized). It was evident from the interviews that all the participants undertook a dynamic process of review and change (Dimov, 2010). These factors were incorporated by conceptualizing the entrepreneurial processes as a continual series of business reviews and decision-making activities, which incorporates the earlier analysis of reasons for exit – and the contribution of entrepreneurial capitals – as well as wider dynamic business context.

—Insert Figure 2 about here—

The value of the proposed LDPF to practitioners and policy-makers was tested by using it to identify the causes of Andrew's initial objective to run a growth business and why he persisted unsuccessfully with it for so long. Systematic use of the elements of the LDPF prompted a broader and more nuanced understanding than just regarding Andrew

as ‘young and naïve’. For instance, he was actively encouraged by his initial social and support networks to believe that he was an entrepreneur and was generously rewarded for developing a growth business plan. Only later did he perceive his own personal weaknesses and appreciate the realities of the market for business websites. He then reluctantly scaled down his plans but persisted because he was enjoying exploring the creative aspects of website design and feared that returning to employment would again be boring and unfulfilling.

The new framework captures the dynamic and interdependent processes involved in early-stage entrepreneurship and thereby advances previous studies that relied on static models using cross-sectional data. Andrew exhibited interactions within his own entrepreneurial capitals, but also wider impacts on his business decisions and his goals, which were especially strongly affected by his inability to learn the missing skills (cultural capital) relating to sales and marketing. He was also overdependent upon external enablers (leading to initial overconfidence), and thus was unable to identify and act upon new ideas. He had a potentially viable business, as was evident from the success of other small website design businesses, but he failed to implement the idea due to underdeveloped entrepreneurial capitals and weak business processes. In contrast, Belinda abandoned her failing business idea within less than a year and then utilized her social and symbolic capitals to find and implement better ideas and mobilize extra business support. Colin was different again as he too persisted for three years with low sales of his core product, but he diversified into other music-related ideas to generate extra income. Only when the pressures of his new family built up did he have to abandon the business goals and seek regular income through employment.

These cases illustrate that all elements of the framework need to be addressed as a business develops and faces new challenges. The analysis, using iterative examination

across cases and searching for the causes of changes (Eisenhardt, 1989), transitioned the LDPF from an initial concept towards being a practical theory, subject to the limitations discussed in the next sections.

Discussion and Conclusion

This study investigates the micro-processes and entrepreneurial capitals of early-stage entrepreneurs. The findings show how their entrepreneurial capitals change over time, and thus influence decisions relating to emergent goals, entrepreneurial learning and ongoing business opportunities. The authors sought to discover the nuances of entrepreneurial journeys (McMullen and Dimov, 2013) and, by using rich longitudinal interview data of creative early-stage entrepreneurs, the paper overcomes the limitations of extant cross-sectional data. Moreover, longitudinal data collection and systematic qualitative analysis has demonstrated the power of the proposed Longitudinal Dynamic Process Framework (LDPF) of entrepreneurial goals, processes and capitals, and helped to expose the complex dynamic interactions between entrepreneurial capitals and micro-processes.

Although the sample of participants was chosen using very tight criteria, the individuals each followed very different entrepreneurial journeys, but the current study's findings show that some common themes emerged – for instance, relating to low social and symbolic capitals. However, the diversity of journeys precludes providing simple recipes for business success and emphasizes the need to examine not just the entrepreneurial capitals but also the business processes and the wider context of each start-up. Hence, the LDPF, which builds on the concept of the entrepreneurial journey (McMullen and Dimov, 2013; Selden and Fletcher, 2015) and several prior studies (Davidsson, 2015; Elfving *et al.,* 2009; Mullins and Komisar, 2009) was needed

and can be used flexibly to understand and support each entrepreneur in a customized way.

The LDPF has two feedback loops. First, learning by the entrepreneurs about their emerging superordinate goals (Elfving *et al.,* 2009) covering their businesses, their personal lives and their development as creative professionals. Such learning is relevant as they discover their strengths and weaknesses and have to respond to various opportunities and external constraints (Honig and Hopp, 2019). Second, the LDPF incorporates the temporal development of entrepreneurial capitals (based on Pret *et al.,* 2015) and both feedback loops influence early-stage entrepreneurship and ongoing business decisions (Dimov, 2010; Mullins and Komisar, 2009). Hence, these feedback loops provide an insight into the dynamic nature of entrepreneurial capitals. Taken together, the entrepreneurial capitals and the micro-processes appear to represent a dynamic capability for entrepreneurs (Newbert, 2005). The findings imply that the micro-processes are shaped by environmental conditions and entrepreneurial learning (Honig and Hopp, 2019; Zahra *et al.*, 2006). However, despite this, the potential for these feedback loops to enhance and leverage entrepreneurial capitals this does not prevent an entrepreneur from exiting their new venture. The LDPF recognizes the external enablers that can help to create business opportunities and constraints (Davidsson, 2015) that intermesh with their own internal enablers including entrepreneurial capitals. For example, some of the participants did not appear to have the social or symbolic capitals to find and exploit opportunities.

The findings reveal that all the participants started with underdeveloped entrepreneurial capitals and, although some of these improved with business experience, they were insufficient to sustain their businesses. Hence, having access to the necessary entrepreneurial capitals is required to sustain a new venture, but these do not guarantee

success (Kellermans *et al.*, 2016). Early-stage entrepreneurs need to cope with unexpected changes, which continuously challenge their beliefs about what, how and when value is created (McMullen and Dimov, 2013). So, such entrepreneurship was conceptualized as a continual series of decisions concerning opportunities to achieve personal, business or creative goals by continuing the current business approach, shifting to another business model, or seeking alternative forms of employment (Dimov, 2010; Mullins and Komisar, 2009). Hence, the final exit is only one of many decision points, usually triggered by major changes in the individuals' goals or shifts in their entrepreneurial capitals.

This study is based on a small and tightly bounded sample from the digital creative sector, which is typically fast-moving and very competitive. How relevant are the findings to the wider population of early-stage entrepreneurs? A key issue was that most of the participants were very committed to developing their specialist skills, which is probably the case for many creative and technical start-ups. The detailed outcomes of the seven journeys are not generalizable from such a small sample, but the main purpose of the study was to identify and understand business processes, and Yin (2014) maintains that case study findings are potentially analytically generalizable into theoretical propositions. The findings about capitals and processes are, therefore, likely to be applicable to a wide range of early-stage specialist entrepreneurs – subject to further external validation.

Implications

The findings contribute to the extant literature on business exits by showing how the entrepreneurial capitals are dynamic and influenced by entrepreneurs' environment (Honig and Hopp, 2019; Newbert, 2005). Since most prior research is not specifically longitudinal or linked to early-stage entrepreneurship, this study was built on the prior

research of Wennberg and DeTienne (2014), who separated entrepreneurs' personal issues from their business issues, and it also draws upon the importance of external and internal factors (Davidsson, 2015; Walsh and Cunningham, 2017). Crucially, the findings show how entrepreneurial capitals or lack thereof affect exit (Walsh and Cunningham, 2017) and the 'entrepreneurial exit' decision (Shepherd et al., 2014). In addition to the dynamic nature of the entrepreneurial capitals, the findings show how the young entrepreneurs explore challenging issues in their creative practices and their personal lives, both of which had a major impact on their business decisions and exit. The findings show that the efforts put in developing the necessary entrepreneurial capital may not be enough to prevent the business exits (Kellermans *et al*., 2016). Along with the shifts in entrepreneurial capitals, the entire entrepreneurial journey is weighed against different personal goals (e.g., concerning family) and this conflict seems to support business exits (Collawert, 2012; Murnieks *et al.*, 2020). Accordingly, the findings show that research on business exits should also cover non-entrepreneurial capitals and non-business goals (Dimov, 2010; Mullins and Komisar, 2009). Therefore, this study expands – and provides coherence to – the existing knowledge about early-stage entrepreneurial development and eventual exit, and stresses the need to incorporate multidimensional approaches into the study of entrepreneurial processes.

In addition, the LDPF simplifies the complex interplay of co-developing processes, capitals and goals, which enables practitioners and academics alike to understand how these changes combine to drive decision-making based on continuation, diversification or exit.

The findings help to bridge the gap between academia and practice by providing insights into entrepreneurial issues for entrepreneurship educators and business

advisors – as illustrated in the LDPF and as used in the table of cross-case findings (Table 3). They suggest that policymakers and practitioners may hold a set of assumptions about young entrepreneurs that need to be challenged. This study provides evidence to suggest how they could improve their interventions by considering the interplay of the entrepreneur with their developing entrepreneurial capitals, and the implications for their ongoing decisions, including exit. The capacity for adaptability and lifelong entrepreneurial learning, as well as having a minimal level of social capital, might be features in screening applicants for entrepreneurial start-up programmes but, due to the changes in attitudes and behaviours that this study has identified, it is unlikely that a perfect set of screening criteria can be devised.

Further practical implications include that nascent entrepreneurs should be encouraged to match up in teams composed of complementary skill sets and that entrepreneurship educators and business support providers, especially in developing regions, should project more realistic models of the entrepreneurial journey of start-ups to help graduates succeed. If nascent entrepreneurs were more aware of the many challenges prior to their start-ups, this could improve the selection process, insofar as some would deselect themselves. This knowledge would also improve the motivation of those willing to continue as they would be more agile in their preparation and might acquire more tenacity to cope with the most daunting of challenges. Specifically, it would enable them to understand how different sources of capital impact each other in complementary ways, and to learn to leverage the appropriate balance of capitals at appropriate periods of their start-ups. Hence, the knowledge they gain from the LDPF would enable them to overcome many of these challenges and should improve their prospects of succeeding.

The analysis could not reflect all the entrepreneurs' dynamic early-stage entrepreneurial micro-processes until these elements had been included in the LDPF. DeTienne (2010) considers that entrepreneurial exit should be part of the entrepreneurship curriculum, and this study supports her argument by suggesting that education and training could provide learning about the opportunities, drawbacks, and the complexity of business start-up and exit. Achieving an optimum trade-off between competing goals proved difficult but was important for survival and growth, especially in their knowledge-based industry, in which acquiring and maintaining key skills and networks was an important part of symbolic and cultural capital. Being inexperienced, they often 'didn't know what they didn't know' and had some unpleasant surprises along the way. There may be scope for more use of role-models in (entrepreneurship) education (e.g., Aparicio *et al*., 2021), and not just successful ones, to help inexperienced early-stage entrepreneurs to identify potential problem areas and how others have coped with them.

For policy-makers the unexpected number of exits observed in this study may also suggest that it is unproductive to support new ventures established by inexperienced entrepreneurs in very competitive sectors, and that start-up programme staff may need to identify potentially business-critical weaknesses that need correction at the early stages of start-up. In particular, they may need to identify those that have strong technical/creative cultural capital, but weak business cultural capital, and provide specific mentoring and support accordingly.

The participants lacked crucial cultural capital from the start and reflection on current policy and training may lead to better provision in the future, especially for those with limited prior business start-up experience. Finally, it is not suggested that

extra financial support is needed, as apparently only one of the businesses might have benefited from such support (Edgar).

Limitations and future research

Despite the promising findings, this study has limitations, which afford opportunities for future research. The proposed framework was determined through a qualitative approach and provides a fruitful setting for exploring entrepreneurial processes, but its validation, perhaps by quantitative approaches, is desirable. For instance, research could address whether the capitals and the framework are also applicable to successful early-stage entrepreneurs, and how they relate to other creative and non-creative business sectors and situations.

Future research could also address how capitals, or lack thereof, enhance or hinder entrepreneurial actions, for instance by investigating whether different levels guide early-stage entrepreneurs to different actions. Studies could also, for instance, integrate entrepreneurial intentions (Elfving *et al*., 2019) and the entrepreneurial journey further (e.g., Cha and Bae, 2010). In addition to its scholarly development, the model could also be utilized and enhanced by business start-up practitioners to structure exploration of other entrepreneurial processes, e.g., business planning, entrepreneurial intent and changing business relationships. Finally, the extended longitudinal approach could also be used to explore the value of the learning that early-stage entrepreneurs take forward into their careers from both successful and unsuccessful early-stage entrepreneurship.

In conclusion, this study aimed, through a new dynamic framework and longitudinal interview data, to analyse the micro-processes and entrepreneurial capitals of early-stage entrepreneurs. The findings show how entrepreneurial capitals change over time, and thus influence decisions relating to emergent goals, entrepreneurial

learning and ongoing business opportunities. The proposed Longitudinal Dynamic Process Framework (LDPF) of entrepreneurial goals, processes and capitals enabled the authors to expose the complex dynamic interactions between entrepreneurial capitals and micro-processes so that this study has enhanced understanding of the dynamics of new business development and has shown why some early-stage entrepreneurs decide to exit their businesses.

Acknowledgments: The authors wish to thank the early-stage entrepreneurs for their participation in this research, and colleagues, ## anonymized ##, for their support for earlier work on this study. In addition, ## anonymized ##, the anonymous referees, and attendees at various conferences, who have provided very helpful comments and suggestions on earlier papers.

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