

Empirical Study on Business Closures – Who should we be Concerned About?

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Abstract

This article takes a closer look at entrepreneurial intentions among informants who had gone through a business closure process. Our interest was to understand better those ex-entrepreneurs who stated that they had no desire to start a business again. Business closure process is challenging at best, but it can also be a highly taxing and exhausting experience to the entrepreneur. We used bivariate analysis and logistic regression models to analyse and compare the data. Our analysis revealed that a total of 15% of entrepreneurs run a business after a genuine business closure whereas over half (51%) of interviewed entrepreneurs have business intentions and could imagine starting a business again. Those with no entrepreneurial intentions (32%) could be classified further into four groups: novice entrepreneurs operating in the service sector in rural locations who closed down their business after confidential discussions with other entrepreneurs (10% of those with negative entrepreneurial intentions), novice entrepreneurs with high basic education operating in central areas (26%, entrepreneurs with low level of education and networking activity, in manufacturing and operating in rural locations without any chance to avoid the firm closure (26%), and most experienced, older entrepreneurs operating in non-rural locations (38%). Most of all, we should worry about the know-how and quality of experiences of entrepreneurs in the closure process as ideally they could be used to benefit both nascent and existing entrepreneurs. More generally, our results indicate that business closures can be associated with entrepreneurial learning, where the individual keeps the costs of learning low, while acquiring new knowledge and skills that can be utilized in new entrepreneurial action. Some policy implications also emerged.

Keywords: Business closure process; Entrepreneurial intentions; Serial entrepreneurship; Entrepreneurial learning

Introduction

Entrepreneurial exits and firm closures, including both failures and voluntary closures, have recently emerged as a fascinating research topic in entrepreneurship [1-3]. The latest research on exits has pointed out the need for a critical distinction between exits and failures [2,4] and business closures and failures [5,6]. However, most studies on business closures have focused on the entrepreneurial exits of businesses rather than the exits of founders or owners [7,8]. Thus, only a few research papers have examined who enters [9] and who exits [10] the business. Accordingly, rather little is known about the experiences and attitudes of owners in the closure process. Certain questions have gone unanswered, such as whether they consider the closure a painful failure or a learning process, what they learned from the experience, what they intend to do next and how strong their entrepreneurial intentions after the business closure may be.

In this article, the goal of this article is to examine more closely the nature of firm closures from the point of view of entrepreneurial intentions after business closure, especially in cases where owner-entrepreneurs openly state that they have no desire to ever go into business again. This paper attempts to combine different lines of research by using empirical data on ex-entrepreneurs and business closures. For the purposes of this study, the definition of 'closures' includes voluntary closures, failures and closures by bankruptcy.

Firm closures can be seen as an integral part of the entrepreneurial learning process [7,11]. Entrepreneurs starting and managing their second organization seem to be more successful than novices [12]. The reasons for this may be due to their being better at recognizing opportunities and coping with the liabilities of the start-up period newness [13]. The entrepreneurial process is complicated, and coordination between different elements is required for success to be achieved [14]. Furthermore, if the idea of a continuous entrepreneurial

learning process is accepted, keeping the costs of learning low is a wise move by the entrepreneur [14]. More confident entrepreneurs of focal ventures are better positioned and equipped to start and succeed with another venture that, in terms of development, is a result of emotional, cognitive, social and financial resilience to a previous failure [15].

The paper is organized as follows. First, the theoretical underpinnings are considered. Firm closure serves as the context in this study. A short description is given of factors outside of closures that can have effects. However, entrepreneurship is an intentional process and, therefore, intentions should be the focus of new venture creation. The theory of social learning explains entrepreneurial behavior [16]. Two different alternatives may be distinguished, such as Ajzen's [17,18] theory of planned behavior and the model of entrepreneurial events introduced by Shapero and Sokol [19].

Second, a short description of the data is given. The research material consists of firm closures in the region of Central Finland and subsequent interviews with entrepreneurs, which provided the possibility to investigate what, had happened to individuals after the original business closure process.

Third, the results are presented. The data analysis proceeded in two stages. In the first stage, ex-entrepreneurs were divided into five groups

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according to their entrepreneurial intentions. After bivariate analysis to explain the differences between the groups, logistic regression models were estimated. Factors explaining the differences these five groups and re-starters re-starters were analyzed. In the second stage, in the case of those whose attitudes towards a new start-up were negative, further analysis was conducted. Finally, some theoretical and practical suggestions are made.

Literature Review

Business closure, failure and learning

Causes of firm closure have often been divided into endogenous and exogenous factors [7,20], both external and internal to the entrepreneur [21]. For example, factors affecting the survival of an enterprise have been categorized in terms of individual characteristics of the founder, attributes and strategies of the business itself, and conditions in the business environment [7]. Entrepreneurial cognition, internal environmental factors and external environment may all have an impact on the decision to persist in or exit the market [22]. Firms that close may be financially successful but folded for other reasons, such as a sale, resources being moved to areas with larger returns, or the owner either aging or accepting paid employment elsewhere [5,6]. On the other hand, business failure can be seen as the outcome of many choices made within the individual company [23]. Thus, it is important to not conflate failure with business closure [2], which may involve the voluntary termination of a venture for reasons such as retirement or the pursuit of other activities, including more interesting entrepreneurial ventures [7]. For example, in their 1996 study [5], Everett and Watson [24] use four warranted definitions of failure to capture small business failure rates: discontinuance of a business for any reason (shifts to more profitable opportunities, changes in ownership, and business closures), bankruptcy/loss to creditors, disposal to prevent further losses, and failing to “make a go of it”.

Cope [25] defines failure as the termination of a business that has fallen short of its goals and is thus unable to satisfy stakeholder expectations. It is also proposed that an experience of business failure is valuable for a person's learning process. Experience from earlier business failures should be considered an advantage. In addition, cultural differences are a factor, as Gratzner [26] states, “failures are often considered to be a stigma in European countries but a qualification in the US” [22]. The effects of business failure on the individual entrepreneur are complex and arguably paradoxical. While failure may lead to a potentially valuable learning opportunity for the entrepreneur who founded that business, it may also be an emotionally traumatic and exhausting experience [25], which can obstruct learning. It has also been noted that, under certain circumstances, delaying business failure may be beneficial to recovery and may promote subsequent entrepreneurial action [23].

Entrepreneurial experience matters

Entrepreneurs learn from both their own experiences and those of others, be they successes or failures [11,27]. Entrepreneurs [13,27-29] also emphasize learning from other entrepreneurs, customer feedback, doing, reflection and coping. Similar perspectives on learning are shared by both serial and portfolio entrepreneurship literature. Business experience strengthens the ability to discover and exploit opportunities, as well as to manage the business [13]. The existence of social capital enables networking, which is a part of the learning process, and strengthens human capital, reduces business costs, and makes it possible to benefit from new opportunities [30].

What do we know about the differences between novice and serial entrepreneurs? Comparisons can be made at two stages: nascent versus nascent entrepreneurs and novice versus serial entrepreneurs. Nascent entrepreneurship refers to ex-entrepreneurs who consider re-entering entrepreneurship [31]. At both stages, the results are somewhat contradictory. Ex-entrepreneurs with characteristics facilitating the development of entrepreneurial skills exhibit a higher propensity for becoming nascent entrepreneurs [31]. In particular, entrepreneurial human and social capital induces nascent entrepreneurship. In addition, the nature of the firm exit affects the probability of nascent entrepreneurship.

Re-starting a business after closure

Studies that have focused on failed entrepreneurs report that most have started new businesses [32]. Thus, a majority (62%) continue as a business owner in some way after closure, 29% in existing business and 33% by starting a new business [7]. The rest were either retired entrepreneurs (9%) or those who sought other employment (29%). Moreover, the majority (70%) claim that they were encouraged by their experience to continue as a business owner. It seems that the majority of respondents viewed their ownership of a business that closed as a positive learning experience. Almost three-quarters of respondents said they had improved their skills in personal management areas: coping with setbacks, self-management and adapting to change. In considering useful experiences, the theme of trust and relationships was cited by over one-quarter of respondents. The need to understand the market before doing another start-up was one lesson cited, while afterwards watching trends was another. Financial issues and trust and relationship issues again featured prominently as experiences to avoid.

People who were previously entrepreneurs have a higher propensity to re-enter into entrepreneurship [33]. Such history makes it possible not only to learn about underlying entrepreneurial skills from entrepreneurial experience, but also to learn how to improve entrepreneurial skills [31]. Both individual and regional factors are important when it comes to the probability of taking a second chance. This probability is negatively related to age, attitude towards risk, and the share of persons in the region who have failed in the past. It is positively related to personal contact with a young entrepreneur and the regional share of nascent entrepreneurs [34].

Serial entrepreneurs hardly differ from novice entrepreneurs. Nevertheless, serial entrepreneurs tend to have a much more unsteady work history. This unstable work history is less characterized by unemployment than a greater number of job changes – they not only switch between paid employment and self-employment, but also more often between different employers. Serial entrepreneurship seems to be a life attitude rather than one driven by necessity or profitable opportunities [35]. Challenging the idea that personal entrepreneurial experience promotes firm survival or lowers a firm's risk of closure, Metzger [36] concludes that an experience of failure increases the risk of further failure.

Focus on entrepreneurial intentions

Several studies indicate that intentions are the best predictor of any planned behavior, including the creation of a new venture. As Schjoedt and Shaver put it [37], “understanding the antecedences of entrepreneurs' intentions will increase our understanding of entrepreneurs' intended behaviors”. They have based their argument, as have Krueger and Carsrud [38] and Kruger and Brazeal [39], on the theory of planned behavior by Ajzen [18] and the earlier formulation of

the theory of reasoned action by Ajzen and Fishbein [40]. At the same time, the concept of entrepreneurial event theory [19] gained support as an explanation of entrepreneurial behavior. These approaches can be traced back to the theory of social learning developed by Bandura [16].

Ajzen's [17,18] theory of planned behavior explains intentions by means of attitudes, perceived behavioral control and subjective norms. The first of these, attitudes towards behavior, refers to the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question. Perceived behavioral control reflects perceptions that the behavior is personally controllable. The last category, subjective norms, refers to social pressures to either engage or not in a particular behavior. In the context of entrepreneurship, Basu and Virick state [41], "the theory of planned behavior asserts that entrepreneurial intention is dependent on an individual's attitude toward the desirability of an entrepreneurial career, subjective norms including perceived family expectations and beliefs to perform the behavior, and perceived behavioral control or the perceived ability to execute the intended behavior of entering entrepreneurship".

Motivational influences consist of both push and pull forces [42]. On one hand, individuals are pushed into entrepreneurship by negative external factors, such as unemployment or the threat thereof, job dissatisfaction, or an inflexible work schedule. On the other hand, individuals may be pulled into entrepreneurship by positive factors, such as self-fulfilment, independence, or wealth. GEM [43] results show that in Western economies, positive pull factors dominate [44]. Moreover, at different career stages and in different contexts, these contributing factors differ [45,46]; perceptions of desirability and feasibility differ [19], as does the nature of business that is in demand. Krueger [47] found support for Shapero's model, saying that entrepreneurial intentions should derive from perceptions of feasibility and desirability, as well as a propensity to act on opportunities. To conclude, through such perceptions entrepreneurial experience indirectly influences entrepreneurial intentions.

Materials and Methods

Data collection

Since the severe recession in Finland at the beginning of the 1990s, the number of new businesses has markedly increased. The number of firm closures today is at almost the same level as then. With its 1309 newly established businesses and 1170 business closures, in many respects the region of Central Finland follows the numbers of the whole country [48].

As a part of our forthcoming investigation of renascent entrepreneurs and business closures, we will first report our empirical data from 2003 in order to provide a longitudinal perspective of the development of new firms and business closures in Finland. From a statistical point of view, the data is relevant, as even today the number of business closures has remained roughly the same over the years, although attitudes toward closures and business restarts may have changed.

The data reported in this article consist of all firm closures in Central Finland in 2003 and is based on statistics of "new enterprises and business closures" published by Statistics Finland [48]. The data cover all enterprises that act as employers or are engaged in business activities that are liable for value-added tax. Excluded are foundations, housing companies, voluntary associations, public authorities and religious communities. The statistics cover enterprises owned and run by the state, but not those run by municipalities.

The data consists of firm closures – failures or voluntary closures – that occurred in 2003. The ex-entrepreneurs were interviewed in spring 2005, which made it possible to follow their shifts in occupational status. The phone interviews were conducted by Statistics Finland's Interview and Survey Services, which is a leading Finnish expert in data collection. The total number of phone interviews was 383. When over coverage is taken into account, the response rate can be estimated to be about 63 percent. The data collection process was the following.

	<i>Number of closures recorded in the official register.</i>
962	<i>Number of closures according to two coexistent criteria: expiry, first, of VAT membership and, second, of employer status.</i>
897	<i>Observations not included in the population (n=69) were excluded.</i>
828 (tentative population)	<i>Contact information not available for 222 observations.</i>
606 (final population)	<i>Number of interviews.</i>
383	<i>Non-responses.</i>
223	

As we can see, the compilation of statistics on firm starts and closures is compounded by difficulties resulting in coverage errors. Moreover, all surveys had a problem of non-responses or other lacking data. Non-responses (n=223) were analyzed further.

NON-RESPONSES	223
Not contacted	20
Process involved refusal or did not lead to an interview	34
Refused to answer	34
Other reasons	135

In the category of "Other reasons" (n=135), there were diverse explanations for non-responses. About 43% of firms (n=58) were still trading in their previous line of business (overcoverage). About 8% of firms (n=11) had a decreased turnover, which placed them below the VAT limit and in the business closure class (overcoverage). More detailed information is given below.

OTHER REASONS	135
Firm still exists, no change in line of business	58
Firm still exists, turnover under VAT limit, registered as closure	11
Failure to get interview	18
Never started	6
Language problems	8
Other reasons	34

According to analysis of the data of non-responses, despite their classification in the statistics as being closed, 69 firms continued to operate. When the overcoverage mentioned earlier [48] is included, the number rises to 117 (19.3% of the population of 606). Moreover, the non-responses category includes 106 firms that could not be contacted or refused to participate. In addition to non-responses of units, there is also the possibility of non-responses to specific items, such as when a respondent does not reply to a specific question. In the present data, there were no such problems as the number of incomplete answers was insignificant.

The total number of phone interviews was 383, out of which the number of mergers and acquisitions was 37 and the number of those who had only changed their legal status was 28. Therefore, the number of actual firm closures (exits) was 318. However, within this group as well, a firm closure cannot totally be associated with a firm failure. From the point of view of an entrepreneur, the reasons for closure – such as aging, accepting paid employment or moving resources to areas with larger returns – may be considered as positive, while involuntary

liquidation is negative. Differentiation between positive and negative motivations for closure was not made in the survey. However, a tentative estimate exists. In our data, 34% actively sought to avoid firm closure. The previous business was quite rarely (9.1%) re-started by the ex-entrepreneur or his/her family members, or by others instead (12.3%). In most cases, former customers became customers of earlier rivals.

Measures

According to the respondents of the phone interviews, among firm closures (failures and voluntary closures included) in 2003 in the region of Central Finland, about 15 percent of ex-entrepreneurs can be

considered re-starters. About 18 months after closure, they were still (or were again) entrepreneurs. The status of ex-entrepreneurs was the following: re-starters (n=47) and groups with different entrepreneurial intentions (based on the question in a phone interview “Could you imagine starting a business again?”), such as “Yes, certainly” (n=47), “Yes, when a promising opportunity emerges” (n=57), “Maybe” (n=36), “Not at the moment” (n=40), and “Never again” (n=88) (Table 1). We are interested in the possible differences within different entrepreneurial intention groups. In general, we have two hypotheses: 1) that restarting may mostly be explained by portfolio entrepreneurship and 2) that those ex-entrepreneurs with no entrepreneurial intentions are older.

Variable	Scale	Definition	Mean
Personal characteristics			
Entrepreneur's age	continuous	Age (years) divided by 10	4.801
Intentions	(1,5)	Entrepreneurial intentions after closure: 1=entrepreneur, 2= yes, certainly, 3=yes, when a promising opportunity emerges, 4=maybe or not at the moment, 5=never again. 0=low, 1=high.	3.352
Basic education	(0,1)	0=low, 1=high.	.708
Vocational education	(0,1)	1=yes, 0=no.	.305
Participation in entrepreneurship training	(0,1)	1=active and initiative, 0=others.	.469
Activity in networking	(0,1)	0=novice, 1=habitual	.503
Entrepreneurial experience	(0,1)	Serial entrepreneur (has sold or closed his/her original firms but at a later date has inherited, established or purchased another firm): 1=yes, 0=no.	.465
Serial entrepreneur	(0,1)	Portfolio entrepreneur (owns two or more firms at the same time): 1=yes, 0=no.	.393
Portfolio entrepreneur	(0,1)	Did it exist any chance to avoid the firm closure: 1=yes, 0=no. Did you pursue to avoid the firm closure: 1=yes, 2=no.	.148
Behavior in closure process			
Avoidance of closure	(0,1)	A chance to discuss confidentially about own firm with another entrepreneur: 1=yes, 0=no.	.500
Seeking to avoid closure	(0,1)	Age (years) 1=manufacturing, 0=otherwise	.340
Confidential discussions	(0,1)	0=less than 200 000, 1=otherwise. If the value is missing, the value in 2000 was used.	.522
Firm characteristics			
Firm's age	continuous	Team entrepreneurship (consisting of two or more owners participating in daily decision making in the firm): 1=yes, 0=no.	8.163
Industry	(0,1)		.116
Turnover 2002	(0,1)	0=no, 1=yes	.050
Team entrepreneur	(0,1)	0=no, 1=yes 0=no, 1=yes	.252
Firm location:			
- in central area	(0,1)		.538
- in highly industrialized area	(0,1)		.195
- in rural area	(0,1)		.267

Table 1: Definitions and descriptive statistics of the explanatory variables.

Moreover, other more detailed but very tentative hypotheses are possible about personal characteristics, behavior during the closure process and firm characteristics, despite quite conflicting results concerning entrepreneurial intentions.

Personal characteristics: In general, some recent results [49-52] have shown that older people are less likely to engage in entrepreneurial activity than their younger counterparts. Moreover, Schutjens and Stam [53] refer to results showing that ex-entrepreneurs over 45 years of age are less likely than their younger counterparts to become entrepreneurs again. This negative correlation was confirmed by Stam, Audretsch and Meijaard [10]. Therefore, we may suppose that entrepreneurial intentions are dependent on the ex-entrepreneur's age. The older ex-entrepreneurs are, the weaker their entrepreneurial intentions are.

Education is one of the most frequently examined components of human capital [54]. Education is positively associated with becoming a nascent entrepreneur, but not becoming an aspiring entrepreneur or business founder [51]. It has been observed that the older people are, the more there is positive correlation between education level and becoming an entrepreneur [53]. Given the job prospects for highly educated individuals, within ex-entrepreneurs we suppose that education increases entrepreneurial intentions after closure. As Stam et al. [53] emphasize, they can easily find a job if the venture fails.

Basically, prior experience affects current occupational choices. Moreover, prior entrepreneurial experience is perhaps the most significant factor in the decision to become an entrepreneur again [54]. Entrepreneurial experience has a positive effect on entrepreneurial intentions [55,56]. Entrepreneurial experience increases both the probability that a person presently in paid employment may aspire to again become an entrepreneur and, maintaining those aspirations, the probability of again becoming an entrepreneur [57]. From the perspective of entrepreneurial learning, learning by doing in a business context is typical for entrepreneurs [27]. Entrepreneurs, especially those in small owner-managed businesses, learn by means of experimentation, from other entrepreneurs, from customer feedback, by adapting and copying, by solving problems, and by grasping different opportunities [27]. Prior entrepreneurial experience is central [13], as entrepreneurs learn both from successes and from negative experiences and mistakes. According to Rae's [58] definition, entrepreneurial learning means learning to recognize and act on opportunities, as well as initiating, organizing and managing ventures through social interactions with others. It can be supposed that entrepreneurial learning is also connected to networking.

Behavior in closure process: From the perspective of the closure process, it is also probable that there are differences between the entrepreneurial intention groups. In particular, it is quite possible that the re-starters and the others follow different paths in the closure process. Portfolio ownership, which is understood to be more typical of re-starters than others, may be seen as a consequence of targeted behavior motivated by survival or accumulation of wealth [59,60]. Irrespective of motivation, the portfolio structure is transient in nature. It may vary due to changes in environment, strategic orientation or fit of different businesses. In these cases, we may suppose that re-starters in particular are more likely than their counterparts to think that the firm closure would have been avoidable and to have tried to avoid the closure. Moreover, for the re-starters, there was no need for confidential discussions with other entrepreneurs concerning the closure.

Characteristics of the firm: As stated earlier, prior experience affects current occupational choices and entrepreneurial intentions. It may be supposed that the older and the larger the closed firm,

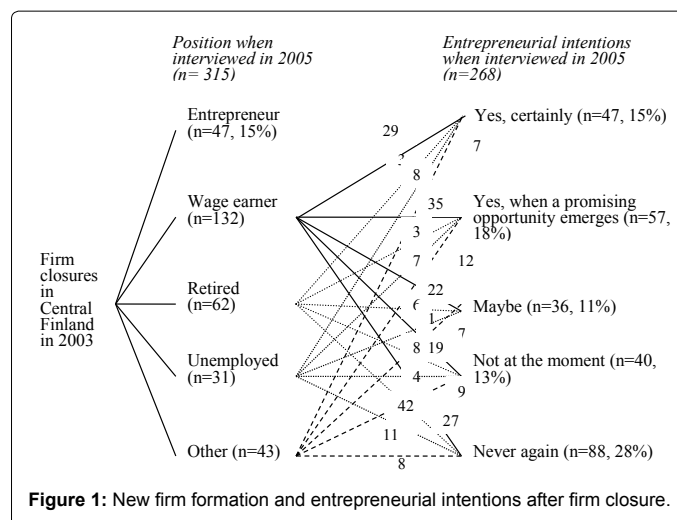


Figure 1: New firm formation and entrepreneurial intentions after firm closure.

the stronger the entrepreneurial intentions. In our study, team entrepreneurship refers to firms where two or more owners participated in daily decision-making. This definition resembles that presented by Vyakarnam, Jacobs and Handelberg [61], which distinguishes between inner and outer teams: "the inner team, usually the two founders, has many shared experiences, such as the anxiety of starting the business and making early key decisions". Team entrepreneurship may refer to the existence of social capital, which strengthens the desire to become an entrepreneur again. Contacts with family and other entrepreneurs may generate a more favorable perception of the desirability or feasibility to create a firm.

Prior research [62,63] shows that environmental factors have an effect on starting a firm. Cultural differences may also play a role. Differences are explained by establishment size, industry density, and population and income growth, reflecting the existence of agglomeration advantages. From the perspective of the individual, job prospects for individuals are better in urban areas than in rural areas [53]. Moreover, business opportunities are more numerous in urban locations, and urban areas may also provide ease of access to customers and necessary resources [51]. Considering that regional differences in career anchors of ex-entrepreneurs are minor, ex-entrepreneurs in urban areas may be more likely to again become entrepreneurs than those in other locations.

Results

Entrepreneurial intentions after firm closure

The information obtained on entrepreneurial intentions is presented in Figure 1. Occupational status (entrepreneur, wage earner, retired, unemployed and other) and entrepreneurial intentions among the ex-entrepreneurs (excluding re-starters) are shown separately. We were interested in entrepreneurial intentions after business closure in a situation where all the informants had previous business experience. Thus, their entrepreneurial intentions were based on an understanding of both business dynamics and the entrepreneurial way of life.

Bivariate analysis

Our study aimed to find answers to two questions. First, what differences are there between the re-starters and the four groups classified according to their intentions regarding entrepreneurship in the future? The results of the bivariate analysis are presented in Table 2.

Variables	Re-starters (n=47)	Could you imagine starting a business again? (n=318)			
		Yes, certainly (n=47)	Yes, when a promising opportunity emerges (n=57)	Maybe (n=36) or not at the moment (n=40)	Never again (n=88)
<i>Personal characteristics</i>					
Entrepreneur's age	.560	.001	.002	.034	.000
Basic education	.057	.024	.003	.096	.000
Vocational education	.614	.025	.274	.110	.000
Participation in entrepreneurship training	.575	.381	.373	.802	.096
Activity in networking					
Entrepreneurial experience	.554	.501	.568	.917	.744
Serial entrepreneur	.001	.119	.161	.077	.274
Portfolio entrepreneur	.018	.279	.167	.263	.622
	.000	.378	.536	.007	.012
<i>Behavior in closure process</i>					
Avoidance of closure					
Seeking to avoid closure	.443	.042	.061	.817	.000
Confidential discussions	.195	.530	.087	.794	.757
	.068	.306	.991	.782	.362
<i>Firm's characteristics</i>					
Firm's age					
Industry	.501	.001	.021	.337	.000
Turnover 2002	.814	.467	.752	.431	.796
Team entrepreneur	.659	.245	.944	.606	.401
Firm location	.023	.309	.921	.747	.549
- in central area					
- in highly industrialized area	.482	.129	.112	.639	.118
- in rural area	.487	.091	.414	.327	.015
	.867	.849	.290	.159	.677

Table 2: Groups with different entrepreneurial intentions compared with all others (p-values).

The results indicated that basic education of re-starters is higher than with other entrepreneurs. They are also more experienced. The share of habitual entrepreneurs, both serial and portfolio entrepreneurs, is higher than with other entrepreneurs. Moreover, they are more likely team entrepreneurs. Instead, for re-starters confidential discussions with other entrepreneurs seems to be a rarer occurrence than in the other groups.

Other intention groups are to some extent distinguishable from each other. Those who answered “Yes, certainly” to the question of becoming an entrepreneur again in the future were younger, and their level of basic and vocational education was higher than within the other intention groups. Moreover, they felt that the closure could have been avoidable. Seen from the firm perspective, their firms were younger and less frequently from highly industrialized areas. Those who answered “Yes, when a promising opportunity emerges” were also younger and their level of basic education was higher than within the other intention groups. They also felt that the closure could have been avoidable but they pursued avoidance of the firm closure less frequently than the other entrepreneurs. Moreover, as above, their firms were younger than on average. Also those respondents who answered “Maybe or not at the moment” were younger and their level of basic education was higher than on average. Instead, they were less frequently habitual entrepreneurs, in particular portfolio entrepreneurs.

Those without any entrepreneurial intentions labeled by “Never again” comprised a most distinctive intention group. They were older, their level of basic and vocational education was lower, and they had participated in entrepreneurship training less frequently than on average within ex-entrepreneurs. They were rarely portfolio entrepreneurs and they often felt that the closure would have not been avoidable. Their firms were older than on average and often located in highly industrialized areas.

Logistic regression models

After the bivariate analysis, we conducted a sophisticated and

robust multivariate analysis. The factors separating re-starters from the other entrepreneurs were further used as independent variables. We want to test whether older entrepreneurs with higher level of education and stronger portfolio and who did not avoid the closure of their firm were more likely to be re-starters. Each model includes different blocks of independent variables. The variables used in the empirical analysis are described in Table 2 and the final logistic regression results (models) are presented in (Table 3a and 3b).

The significance of individual variables was established by using the Wald test. The overall goodness of fit of each logistic regression model was evaluated using the Chi-square test, the predictive accuracy of the estimated model, the Cox and Snell r-square coefficient and finally the Nagelkerke r-square.

The results from Model 1 indicate that the re-starters (n=44) were likely portfolio entrepreneurs as well serial entrepreneurs and they seem to need for confidential discussions with other entrepreneurs. The coefficient on the Serial entrepreneur, Portfolio entrepreneur and confidential discussions variables are statistically significant at the .10, .01 and .001 levels (90%, 99% and 99.9% confidence levels). Overall model 1 is significant at the .000 level according to its chi square test. The Model 1 predicts 86.7 of the responses correctly. The Cox and Snell is $R^2 = .105$ and the Nagelkerke is $R^2 = .184$. ($Y1 = -.317 - .667 * SER - 1.929 * POR + .769 * CON$, and Odds Ratios= 0.728 (Constant), 0.513 (Serial entrepreneur), 0.145 (Portfolio entrepreneur) and 2.158 (Confidential discussion)).

For serial entrepreneur the probability not be re-starter will grow. This means that the risk for serial entrepreneurs to be a re-starter is half of what it is for non-serial entrepreneur. For portfolio entrepreneurs the probability not be re-starter will grow. This means that the risk for portfolio entrepreneurs to be a re-starter is 1:7 of what it is for non-portfolio entrepreneurs. When having confidential discussion the probability to be a re-starter will grow. This means that among those entrepreneurs who have confidential discussions the risk to be a re-

Independent variables	Model 1 β	Model 2 β	Model 3 β	Model 4 β	Model 5 β
<i>Y = 'Re-starter' 0 = 'No', 1 = 'Yes'</i>					
<i>Personal characteristics</i>					
Entrepreneur's age		-.498**	-.360**	-.220*	.802***
Vocational education		-.955**			1.292**
Serial entrepreneur	-.667 [†]				
Portfolio entrepreneur	-1.929***			1.358*	1.321*
<i>Behavior in closure process</i>					
Avoidance of closure					-.689*
Confidential discussions	.769*				
<i>Firm's characteristics</i>					
Firm's age					.064*
Constant	-.317	1.073	.141	-1.315 [†]	-7.400***
Model χ^2	34.834	18.762	8.289	12.984	101.862
Model χ^2 significance	.000	.000	.002	.002	.000
-2 log likelihood	230.604	238.682	284.375	333.450	269.344
Overall predictive accuracy	86.7%	85.6%	82.1%	75.6%	80.1%
Cox & Snell R ²	.105	.058	.029	.041	.279
Nagelkerke R ²	.184	.104	.048	.061	.400
Number of firms	315	312	312	312	312

Table 3a. Logistic regression models of variables associated with intentions to re-start a firm.

Independent variables	Model 1	Model 2	Model 3	Model 4	Model 5
<i>Personal characteristics</i>					
Entrepreneur's age		0.608	0.698	0.803	2.230
Vocational education		0.385			3.640
Serial entrepreneur	0.513				
Portfolio entrepreneur	0.145			3.888	3.747
<i>Behavior in closure process</i>					
Avoidance of closure					0.502
Confidential discussions	2.158				
<i>Firm's characteristics</i>					
Firm's age					1.066
Constant	0.728	2.924	1.151	0.268	0.001

Table 3b: Logistic regression models of variables associated with intentions to re-start a firm: Odds ratios.

starter will double compared to those entrepreneurs who do not have confidential discussions.

The results from Model 2 indicate that those ex-entrepreneurs who expressed certainly to continue and have intention to re-start a firm were more likely younger and they have no higher education compared to other entrepreneurs. Other variables seem not to be significant in this model. The coefficient on the Entrepreneur's Age and Vocational Education variables are both statistically significant at the .05 levels (95% of the confidence levels). The overall model 2 is significant at the .000 level according to Model chi-square statistic. The Model 2 predicts 85.6% of the responses correctly. The Cox and Snell is $R^2 = .058$ and the Nagelkerke is $R^2 = .104$. ($Y2 = 1.073 - .498 \cdot \text{AGE} - .955 \cdot \text{VOC}$. Odds Ratios are 2.924(Constant), 0.608 (Entrepreneur's Age), 0.385 (Vocational education).

Aging increases the probability for intentions not to re-start a firm to grow. This means that the risk on intentions to certainly re-start a firm decreases. For entrepreneurs with the vocational education (Yes, certainly) the probability for intentions in other will grow. This means that for entrepreneurs with a vocational education the risk of re-starting a firm is smaller (2:5) than that of entrepreneurs with no vocational education.

The results from Model 3 indicate that entrepreneurs who felt that they could re-start a firm when a promising opportunity emerges were more likely younger than other ex-entrepreneurs. Other variables seem not to be significant in this model. The coefficient on the Entrepreneur's Age and variable are statistically significant at the .05 level (95% of the confidence level). The overall model 3 is significant at the .002 level according to Model chi-square statistic. The Model 3 predicts 82.1% of the responses correctly. The Cox and Snell is $R^2 = .029$ and the Nagelkerke is $R^2 = .048$. ($Y3 = .141 - .360 \cdot \text{AGE}$. Odds ratios= 1.151 (Constant), 0.698 (Entrepreneur's Age).

Aging increases the probability for the intentions not to restart a new firm when a promising opportunity emerges to grow. This means that aging decreases the the risk of intentions to re-start a firm when a promising opportunity emerges.

The results from Model 4 indicate those entrepreneurs who are considering to restart a new firm (maybe or not at the moment) were more likely younger than other ex-entrepreneurs and many of them are portfolio entrepreneurs. Other variables seem not to be significant in this model. The coefficient on the Entrepreneur's Age and Portfolio Entrepreneur variables are statistically significant at the .05 level (95%

of the confidence levels). The overall model 4 is significant at the .002 level according to Model chi-square statistic. The Model 4 predicts 75.6% of the responses correctly. The Cox and Snell is $R^2 = .041$. and the Nagelkerke is $R^2 = .061$. ($Y4 = -1.315 - .220 \cdot \text{AGE} + 1.358 \cdot \text{POR}$. Odds ratios = 0.268 (Constant), 0.803 (Entrepreneur's Age), 3.888 (Portfolio entrepreneur).

Aging increases the probability for intentions to be in others. This means that with aging the “risk” to consider re-starting a firm decreases (Maybe or Not at the moment). If the entrepreneur is portfolio entrepreneur intention in Maybe or Not at the moment will grow. This means that the risk for portfolio entrepreneurs to consider restarting a new firm (Maybe or Not at the moment) is greater than among Others.

The results from Model 5 indicate that those entrepreneurs who have no intentions to re-start a firm, as we call them “Never again” entrepreneurs ($n=88$), were more likely older than other entrepreneurs, as also were their firms. They also reported that closure could not have been avoided. They have a higher level of vocational education. The coefficient on the Entrepreneur's age, Vocational education, Portfolio entrepreneur, Firm's age and Avoidance of closure variables are statistically significant at the .05; .01 and .001 levels. The overall model is significant at the .000 level according to Model chi-square statistic. The Model 5 predicts 80.1 per cent of responses correctly. The Cox and Snell is $R^2 = .279$ and the Nagelkerke is $R^2 = .400$. ($Y5 = -7.4 + .802 \cdot \text{AGE} + 1.292 \cdot \text{VOC} + 1.321 \cdot \text{POR} - .689 \cdot \text{AVO} + .064 \cdot \text{FIRM AGE}$. Odds ratios = 0.001 (Constant), 2.230 (Entrepreneur's age), 3.640 (Vocational education), 3.747 (Portfolio entrepreneur), 0.502 (Avoidance of closure), 1.066 (Firm age)

Aging increases the probability for intention to be in Never again. This means that aging increases the risk on intentions not to re-start a firm. Vocational education increases the probability for intentions on (“never again”) to grow. This means that entrepreneurs with vocational education have a greater “risk” on intentions not to re-start a firm again. To be a portfolio entrepreneur increases the probability for intention on (“never again”). This means that portfolio entrepreneurs have a greater “risk” for intentions not to re-start a firm again than other entrepreneurs. Avoidance of closure increases the probability for intention on (Others) to grow. This means that avoidance of closure decreases the “risk” for intentions on not to re-start a firm again. The aging of firm increases the probability for intention on (“never again”). This means that aging of the firm increases the “risk” for not to re-start a firm again.

Based on the results (Table 3a and 3b) our hypothesis the older entrepreneurs with higher level of education and stronger portfolio and who did not avoid the closure of their enterprise were more likely to be re-starters was confirmed.

To conclude with: Re-starters are typically entrepreneurs with a strong earlier background in entrepreneurship either as serial- or as portfolio entrepreneurs. The results also indicate that age plays a role in the re-starting process in that younger entrepreneurs are more eager to re-start than older entrepreneurs. In line with previous findings portfolio entrepreneurs seem to be a bit more growth-oriented than serial entrepreneurs [60,64-66]. They are also more creative and innovative than novice or serial entrepreneurs [67] and they identified more opportunities and were more likely to pursue an identified opportunity than other entrepreneurs [54,68]. Accordingly, portfolio entrepreneurship may be seen as an important strategy in the small business sector.

Why never again?

Next, we were interested in particularly those respondents who

expressed a negative attitude towards a new start, stating that they were not interested in starting a business ever again. Would it be possible to identify different types within this group? A clustering analysis was conducted. Those with no further entrepreneurial intentions (28% of business closures) invite deeper concern. Our results already indicated that this group was characterized by high age and low vocational education. Is it, however, possible to identify different types within this group and if so, how do they differ from each other? Clustering analysis was applied to identify different types. The results are shown in Table 4. The classification of variables was presented earlier in Table 1.

The results of the clustering analysis provided additional insight into the critical entrepreneurial intentions of ex-entrepreneurs. Four different groups were identified: Group 1 (novice entrepreneurs in the service sector, operating in rural locations, closed down after confidential discussions with other entrepreneurs), Group 2 (novice entrepreneurs with a high basic education, operating in a central area), Group 3 (entrepreneurs with a low level of education and low activity in networking, operating in manufacturing and in rural locations, without any chance to avoid firm closure), and Group 4 (oldest and most experienced entrepreneurs, operating in non-rural locations).

The most mature entrepreneurs (Group 4) form the largest group (38% of those with no entrepreneurial intentions). Members of this group are all habitual entrepreneurs, mostly serial entrepreneurs. The origin of the intentions of this group is very understandable. However, the clustering analysis also produced three other groups.

The first group, labeled “Not for me anymore” (Group 1), is the smallest one (10%). The closure decision seems to have been well-

Variables	Groups of “Never again” responses			
	Group 1 (n=9)	Group 2 (n=23)	Group 3 (n=23)	Group 4 (n=33)
<i>Personal characteristics</i>				
Entrepreneur's age*	.73	.70	.74	.79
Basic education	.33	.65	.26	.36
Vocational education	.22	.17	.09	.15
Participation in entrepreneurship training	.56	.48	.09	.52
Activity in networking	.56	.52	.30	.67
Entrepreneurial experience	.11	.04	.09	1.00
Serial entrepreneur	.00	.00	.04	.97
Portfolio entrepreneur	.11	.04	.04	.09
<i>Behavior in closure process</i>				
Avoidance of closure	1.00	.39	.04	.27
Seeking to avoid closure	.67	.30	.22	.33
Confidential discussions	.89	.61	.30	.64
<i>Firm's characteristics</i>				
Firm's age*	.34	.27	.29	.29
Industry	.00	.09	.22	.12
Turnover 2002	.00	.09	.00	.03
Team entrepreneur	.11	.09	.30	.30
Firm location				
- in central area	.00	1.00	.00	.55
- in highly industrialized area	.33	.00	.48	.33
- in rural area	.67	.00	.52	.12

* Variables were scaled between 0 and 1 before clustering.

Group 1 (novice entrepreneurs in the service sector in rural locations, closed down after confidential discussions with other entrepreneurs); Group 2 (novice entrepreneurs with high level of basic education in a central area); Group 3 (entrepreneurs with a low level of education and low activity in networking, in manufacturing and in rural locations without any chance to avoid the firm closure); Group 4 (aged and experienced entrepreneurs in non-rural locations).

Table 4. Classification of ex-entrepreneurs with no entrepreneurial intentions ($n=88$).

considered, despite the fact that all entrepreneurs believed that the closure could have been avoidable and most entrepreneurs sought to avoid the closure. However, confidential discussions with another entrepreneur may have strengthened the belief that the business opportunity, typically in a rural location, was exhausted. Worth noting is that all the firms in this group were in the service sector and very small. Moreover, based on the ex-entrepreneur's average age, there is no specific need to become a serial entrepreneur.

The second group, labeled "Alone in business" (Group 2), represented 26% of the entrepreneurs. They seemed to be a bit younger than their counterparts in other groups, as were their firms. Team entrepreneurship was infrequent. All were located in a central area. Their entrepreneurial experience was low, but their basic education was high, compared with other ex-entrepreneurs with no entrepreneurial experience.

The third group, labeled "Lonely riders" (Group 3), came in at 26%. For them, the closure was perceived to have been unavoidable. Confidential discussions with another entrepreneur were rarer than in other intention groups, as was activity in networking.

In general, rural and non-rural locations can be seen to differ. Forced closures appeared more likely in rural locations. Moreover, the most experienced ex-entrepreneurs without any entrepreneurial intentions were found in urban areas. In central areas, the existence of business opportunities tends to make it possible to provide entrepreneurial experience.

Conclusions and Discussion

This article seeks to examine more closely the nature of firm closures from the point of view of entrepreneurial intentions after business closure, especially in cases where owner-entrepreneurs openly state that they have no desire to ever go into business again. We tried to combine different lines of research by using our empirical data on ex-entrepreneurs and business closures. We were also interested to see how various types of entrepreneurial intentions differ from each other?

The statistical information available (Statistics Finland) paints an overly dark picture in regard to the number of firm closures in Finland. We can conclude from our analysis that the figure is actually about 30% less. Our study revealed that the typical business closure is a small, local, market-oriented firm operating in the service sector. Motives for firm closure varied widely; this is to say, economic difficulties of the business, unprofitability, and difficulties in management and leadership are not the only reasons for closure. Aging and personal life changes like finding paid employment, change of residence or the birth of a child may also lead to a permanent or temporary business closure. The tendency to associate business closure with business failure needs severe rethinking [7].

Our study revealed that entrepreneurship is a life-long learning process and that, in many cases, firm closure is a part of this process. According to our results, among those experiencing a firm closure, the share of serial entrepreneurs was 39% and that of portfolio entrepreneurs 15%. Moreover, our results show that 15% of respondents returned to entrepreneurship within two years of closure. The majority of ex-entrepreneurs can be considered renascent entrepreneurs. Our findings are supported by Stokes and Blackburn's [7] study, which suggests that ex-entrepreneurs are more able to make it work the next time because of lessons that they have learned.

Second, our results are very much in line with the line of thought

that, generally speaking, it is difficult to definitively decide anything about the success of an entrepreneur solely on the basis of the firm. According to this view, experience from earlier business failures should be considered also as an advantage. In this respect, however, cultural differences still exist. To repeat Gratzner [26], "failures are often considered to be a stigma in European countries but a qualification in the US".

With respect to entrepreneurial intentions, the two extreme groups showed more distinct profiles than the other three studied groups. Restarting (15% of firm closures) were explained by portfolio entrepreneurship. In many respects, re-starters comprise an exceptional group, as stated earlier, and many of them are portfolio entrepreneurs. Accordingly, our study is line with the studies of Carter [60] and Carter and Ram [59], who argue that the motives for becoming a portfolio entrepreneur become more apparent in small firms: it serves neither as a wealth accumulation nor a survival mechanism. In both cases, the motives for owning multiple businesses may change as well, as the fit between different businesses in the portfolio can lead to voluntary closure [69].

In our study, negative intentions (32% of firm closures) were explained by aging and low vocational education. Those respondents who reported no further entrepreneurial intentions were further classified into four groups: novice entrepreneurs in the service sector in rural locations closed down after confidential discussions with other entrepreneurs (10% of those with negative entrepreneurial intentions), novice entrepreneurs with a high basic education in a central area (26%), entrepreneurs with a low level of education and low activities in networking in manufacturing and in rural locations without any chance of avoiding the firm closure (26%), and the oldest and most experienced entrepreneurs in non-rural locations (38%).

In summary, we may conclude that research on ex-entrepreneurs starting a new business subsequent to business closure requires a multidisciplinary approach. Besides an economic perspective, at least psychological and sociological methodologies are also needed for a deeper understanding of this phenomenon. Personal traits and, as Krueger and Carsrud [38,70] emphasize, especially intentions have an impact on the decision to become an entrepreneur again. Moreover, maintaining an entrepreneurial identity, which is based on an emotional and knowledge-based commitment to the entrepreneurial way of life, has an effect. Finally, serial entrepreneurship as a part of habitual entrepreneurship should be considered more carefully. Referring to the work of Ucbasaran et al. [54], as well as Niittykangas et al. [71], serial entrepreneurs can be considered as small business owners and portfolio entrepreneurs as entrepreneurs [72].

Finally, some policy implications also emerge. First, instead of trying to prevent firm closures, we should focus on ex-entrepreneurs, especially on renascent entrepreneurs, and on supporting entrepreneurship in its many forms. This would also send a strong message that firm closures are regarded not only as a negative, stigmatizing issue, but more as a natural part of the entrepreneurial process. Second, in Finland as in many other countries [73], the population is aging. A large number of firms will be transferred to the next generation through succession, mergers or acquisitions – or even just closed down. Habitual entrepreneurship can be seen as a part of this entrepreneurial process and needs to be better understood. Policy issues are needed to encourage ex-entrepreneurs to become entrepreneurs again [25]. More support and advice is also required for renascent entrepreneurs. Third, nascent and existing entrepreneurs should be able to take greater advantage of the versatile know-how and networks of ex-entrepreneurs. The need to transfer

this know-how from urban areas to rural locations is also poignant, considering that most experienced ex-entrepreneurs operate in more central areas.

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