# It ain't over till it's over: exploring the post-failure phase of new ventures in business networks

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**Abstract**

**Purpose** – To the best of the authors' knowledge, this paper is a first attempt to deal with the phenomenon of new venture failure from the business network perspective of the Industrial Marketing and Purchasing (IMP) Group. In particular, this study aims to explore the post-failure phase of a new venture to investigate what happens to the new venture's resources and relationships in the aftermath of its failure and the role of the entrepreneur in this process.

**Design/methodology/approach** – The paper builds on an explorative multiple case study of two failed new ventures, unfolding the failure and post-failure phase: evidence from both cases is confronted and discussed.

**Findings** – This study shows that the post-failure is a complex phase of recombination of activities and residual resources that may lead to new business opportunities. It is discussed that residual resources influence the direction and extent of post-failure activities in terms of restrictions as well as opportunities to restart new projects or ventures. It is also shown how the entrepreneur deals with the "business remains".

**Originality/value** – While much attention has been devoted to new ventures' failure, the paper focuses on the post-failure phase, an almost neglected topic in industrial marketing research. This study sheds some new light upon the journey through which entrepreneurs come to develop the set of resources, activities and relationships that are not only key to the establishment of the venture but also relevant in the complex and intricate trajectories of post-failure.

**Keywords** New ventures, Post-failure, Industrial marketing, Business networks

**Paper type** Research paper

## 1. Introduction

The present paper is a first attempt to deal with the phenomenon of new venture failure from the business network perspective of the Industrial Marketing and Purchasing (IMP) Group (Håkansson *et al.*, 2009; Håkansson and Snehota, 2017). In particular, this research aims to contribute to the growing body of IMP studies on new ventures (Snehota, 2011; Aaboen *et al.*, 2017; Baraldi *et al.*, 2020) by exploring the post-failure phase of a new venture to investigate what happens to the new venture's resources and relationships in the aftermath of its failure.

We refer here to the term "new venture failure" as the phenomenon of a new venture that ceases to operate activities with counterparts, collapses in its organizational structure and gets to closure. We know from entrepreneurship research that new ventures – independently of their characteristics, sector or organizational context – are fragile organizations that tend to fail during the early stage of their development (Duchesneau and Gartner, 1990; Shepherd *et al.*, 2000; Singh *et al.*, 2015). According to statistics, 90% of new ventures fail within the first two to five years of their operations (GSER, 2021)[1]. However, if looking closer at these data, a more interesting phenomenon can be observed: most of the new ventures that do succeed (namely, get established) come out of the ashes of previously failed entrepreneurial projects or ventures (Kloepfer and Castrogiovanni, 2018; Fu, 2018; Eklund *et al.*, 2018). This indicates that the post-failure phase of a new venture represents a critical step of the entrepreneurial process as meaningful transformation, opportunities and new starts can emerge in the network. Investigating the phenomenon of entrepreneurial failure more closely, scholars have found that most successful entrepreneurs tend to describe

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failure as a dramatic, yet learning, experience, which can provide beneficial lessons valuable to inspire and improve subsequent entrepreneurial action, as well as unexplored career opportunities (Ucbasaran *et al.*, 2013; Olaison and Sørensen, 2014; Eklund *et al.*, 2018; Boso *et al.*, 2019). Furthermore, when a new venture fails, it does not simply dissolve into a "vacuum" rather it releases a set of "residual resources" – namely, what remains after failure – which can "flow" through the network towards new settings, projects or ventures (Soto-Simeone *et al.*, 2020; Boso *et al.*, 2019). This means that the resources retained by the entrepreneur after failure can continue to play a role in defining and providing direction to subsequent interactions and potential opportunities to come. However, it has been noticed that the opportunities which emerge from failure can divert – sometimes even greatly – from the original pathway of the defunct venture and can take the entrepreneur towards pursuing different activities or projects (Deichmann and Ende, 2014).

In summary, it emerges from research that most entrepreneurs go through a tortuous journey which is generally made up of a series of unsuccessful attempts and restarts (McMullen and Dimov, 2013). This "recurrent" dynamic of failing and restarting, however, appears to be somehow beneficial to entrepreneurs as it supports learning along with the recombination of resources until more viable combinations are achieved (Sarasvathy *et al.*, 2013). These findings suggest that the post-failure phase of a new venture is a critical stage in entrepreneurial processes; however, previous research has mainly studied the failing and restarting of entrepreneurs more in terms of a continuous causal process by focusing on the way individual entrepreneurs cope with and learn from failure to see how and why entrepreneurs restart after a failure (Boso *et al.*, 2019).

In this paper, we focus on the post-failure phase, and we argue that the aftermath stage of a failure appears as a more "non-linear" phase wherein a multitude of different transformations and new processes can emerge. Thus, by adopting an IMP perspective, the present paper aims to explore the post-failure phase of a new venture to investigate the activities occurring in the post-failure phase and the residual resources of a "defunct" venture.

The phenomenon of new venture failure has not been explicitly, nor directly, addressed in the IMP literature to date. Some insights on this topic can be drawn from some IMP research streams, such as the body of research on new business formation and development in business networks (Snehota, 2011; Aaboen *et al.*, 2017), the body of studies on business relationships ending and dissolution (Halinen and Tähtinen, 2002) and the body of research on the failure of technological development processes and its consequences (Håkansson and Waluszewski, 2007). Starting from this background, we contribute to the ongoing debate on new ventures and shed light on what happens after the failure of a new venture, which does not necessarily imply the termination of all the ongoing interactions and relationships nor the dissolution of the underlying resources and activities. Rather, more complex interactions seem to emerge in this phase. Hence, the present paper aims to explore the post-failure phase of a new venture to respond to the following research questions:

*RQ1*. What are the activities occurring in a new venture's post-failure phase?

*RQ2*. How do entrepreneurs cope with the residual resources of a new venture's failure?

To this aim, the research reports on a multiple case study approach addressing the exploration and analysis of the post-failure phase of two failed start-ups. The paper is structured as follows: Section 2, an overview of the most relevant IMP studies addressing the phenomenon of business failure and related issues, is presented along with a discussion of the need for improvements. In Section 3, the methodological underpinnings guiding the research are discussed. In Sections 4 and 5, two empirical cases focused on the post-failure phase of two failed new ventures are illustrated and analyzed. Section 6 reports the main results from the empirical analysis. Finally, in Section 7, the paper stresses conclusive remarks, pointing out the research's main contributions, limits and future research steps.

## 2. New ventures' failure and post-failure phases in industrial marketing and purchasing studies

For analytical clarity, business failure refers to a situation where the firm is no longer able to operate as a sustainable entity and is forced to cease operations and lay off any employees (Fleisher and Wright, 2010). This not only prompts the retreat and exit from domestic markets but also foreign ones. There are different types of business failure – one largely sudden, unpredictable and difficult to mitigate, the other largely protracted and punctuated by multiple events, stories, false starts and actions, which ultimately lead to failure.

The phenomenon of new venture failure has not been explicitly, nor directly, addressed in the IMP literature to date. However, some insights on this topic can be drawn from at least two main bodies of studies ascribable to the IMP research tradition:

1 the body of research on new business formation and development in business networks, which is primarily focused on exploring the development of the set of initial business relationships at the beginning of the development process of a new venture (Snehota, 2011; Aaboen *et al.*, 2017; Baraldi *et al.*, 2020); and
2 secondly, the body of studies on relationships ending that deals with the process through which mature business relationships dissolve or are ended (Halinen and Tähtinen, 2002; Gidhagen and Havila, 2014, 2016). We believe these studies can provide valuable cues and elements to set a point of departure for starting to explore the post-failure phase of a new venture from an IMP perspective.

### 2.1 New business formation and development

Up to now, IMP scholars interested in new business formation and development – taking inspiration from the work of Gartner (1985) – have devoted attention mostly to the process of organizing and integrating resources in the early stages of new venture development. To investigate this process, researchers have primarily looked at how new ventures develop their initial business relationships with customers and suppliers (Aaboen *et al.*, 2011; La Rocca *et al.*, 2013; La Rocca and Snehota, 2014; Aaboen *et al.*, 2017; Landqvist and Lind, 2019; LaRocca *et al.*, 2019b). From an IMP perspective, the development of a new business depends upon the establishment of a set of business relationships with external parties through which to access and develop the necessary resources and activities to operate and grow (Snehota, 2011; Aaboen *et al.*, 2017; La Rocca *et al.*, 2017; Baraldi *et al.*, 2020). A basic entrepreneurial task is establishing the set of initial business relationships that support the early embedding and development of the new venture (La Rocca *et al.*, 2013).

To start a new venture, thus, a nascent entrepreneur (or entrepreneurial team – from now on, we will refer to the term "entrepreneur" or "entrepreneurial team" interchangeably) needs to explore its surrounding network, interact with several relevant actors and counterparts and initiate a minimum set of initial customer-supplier relationships to develop the business process. Initial relationships are the basic tool for the entrepreneur's work. However, IMP scholars have found that developing "initial" as well as "new" relationships in business networks is neither linear nor a straightforward process for an entrepreneur (La Rocca *et al.*, 2013). Initiating and developing new relationships requires investing huge efforts and resources over time to explore various and different networks, target and approach potential counterparts, manage the intense flow of social-material interactions necessary to develop the needed social connections, resources interfaces and activities for operating, turn these early interactions into stable and long-lasting business relationships (Aaboen *et al.*, 2017; La Rocca *et al.*, 2019a, 2019). However, before building functional and stable network relationships, as well as making resource interaction consistent and effective within a closer network of key actors, entrepreneurs must deal with the heterogeneous nature of networks that imposes efforts to explore and learn about a multitude of different actors, resources, logics and opportunities before deciding to focus on specific operations and relationships (Corsaro *et al.*, 2012; La Rocca *et al.*, 2017). In this process, McGrath *et al.* (2019) have found that the new venture can progressively learn the capability to manage and use network relationships to its advantage until overcoming the initial managerial lack of knowledge and experience. The authors emphasize that this learning process happens by "doing interaction" and become a key capability guiding the strategic networking and the positioning of the new venture (McGrath *et al.*, 2019). Accordingly, some studies reveal that issues can emerge in the social sphere of relationships where given the liability of newness, entrepreneurs cannot count on previously acquired relational drivers such as network connections, experience or legitimacy (Guercini and Milanesi, 2019). Furthermore, nascent entrepreneurs generally work in resource-poor organizations, which do not possess the necessary resources or solutions to be able to attract the interest of external counterparts (La Rocca *et al.*, 2013; Nagy *et al.*, 2014; Guercini and Milanesi, 2016). Just for these reasons, initial relationships can greatly influence not only the early development of a new venture but also its further developments, as initial relationships can create a sort of an "early imprinting" that directs the development path of the venture, even limiting its independence and range of action in the network (Baraldi *et al.*, 2017).

IMP studies, however, do not take into proper account the extreme volatility of initial relationships, nor do they consider that most initial interactions tend to decline into negative territory producing inefficiencies, uncertainties, delays or can rapidly change directions towards emergent opportunities as well as their dissolution. In such context, it seems that the network capability of a new venture is more likely to emerge by learning from failures than from successful interactions. Given the high failure rate of initial business relationships, it could also be argued that – from the perspective of managers and entrepreneurs – the gradual development of network capability follows intricate and long-lasting learning dynamics that may exceed the new venture's lifecycle. More generally speaking, IMP scholars have described the relational context of a new venture as in continuous motion (Havenvid and La Rocca, 2017) since initial business relationships are not that stable connections and tend to continuously evolve. This evolving dynamic, however, usually leads to produce uncertainties, challenges and negative effects on the venturing process. This implies that business relationships tend to "raise and fall" continuously – especially within a new venture's network – given that most of the initial business relationships tend to fail while new ones keep emerging (Halinen and Tähtinen, 2002; Havenvid and La Rocca, 2017). Thus, in the context of new ventures, a negative balance seems to emerge across this continuous "rise and fall" of initial and new relationships: this fact may well explain why acquiring a position in the network is such a problematic process for new ventures and why they get to fail that frequently in this process.

Furthermore, IMP scholars have tended to downplay the role of the entrepreneur after the failure of a new venture in favour of the role of material resources and processes that usually can survive the dissolution of their carrying organizations to follow the journey of innovation (Baraldi *et al.*, 2017). In particular, scholars have found that material resources – especially technologically innovative resources – usually survive the dissolution of the organizational structures that support their development. Innovation journeys are generally characterized by the frequent emergence and disappearance of carrying actors (e.g. start-up companies) who generally propel only little portions of the entire journey. Typically, at the end of the journey, there will be attribution of success and fame to the organization that is still present and closely related to the technology at the moment of its eventual commercialization (Baraldi *et al.*, 2017). In this context, according to Baraldi *et al.* (2017), new ventures can be thought of as "vessels" which "while transforming original ideas and solutions, also propel technologies in their journeys" (Baraldi *et al.*, 2017). This means that new ventures can "sink"; however, "other vessels can then appear, which take over the technology" (Baraldi *et al.*, 2017). Interestingly, the authors pose key questions about what happens to initial resources and relationships created by the start-up to support its technology, what remains (or disappears) after failure and, more importantly, how residual resources and relationships can be shifted towards some "other firms and vessels to revive and exploit" (ibid.). Accordingly, we emphasize the importance of exploring the post-failure phase of new ventures as there are pieces of evidence showing that actors' relationships and resources can survive the organizational abortion of a single venture.

### 2.2 Business relationships ending

Some IMP authors have considered the way established ongoing business relationships come to an end and dissolve or are intentionally terminated by the interacting parties (Gidhagen and Havila, 2014). These scholars have observed that the end of a business relationship can follow (at least) two different main dynamics: it can be a:

> [...] complex and complicated process that finally disconnects the two business parties from each other, or it may be a natural process based on mutual agreement, where the possibilities for future business opportunities are retained" (Gidhagen and Havila, 2016).

The latter situation indicates that some connections can be retained by the interacting parties after the closure or failure of their relationship and that, potentially, new opportunities can be pursued at successive times. It has been observed that the end of a business relationship can put the involved parties into a sort of "sleeping or latent period" in which, however, meaningful interaction episodes and behaviours can take place. In some cases, these interactions can be directed at pursuing the recombination of remaining resources to create subsequent new opportunities and, possibly, reactivations. For these reasons, scholars have recognized the importance of identifying and studying the aftermath stage of ended business relationships as interesting processes and phenomena leading to new opportunities can take place in this stage (Gidhagen and Havila, 2016). Gidhagen and Havila (2016) suggest that to understand the importance of the aftermath stage of ended business relationships, it is key to focus on the concept of "business remains" and see how business remains to influence the reactivation of ended relationships. Business remains are, here, largely defined as the set of those tangible (facilities, technological artefacts, business deals, etc.) and intangible (knowledge, culture, contacts, etc.) resources that are embedded into the activities and actors and cease to be operative after the ending of the relationship.

However, this line of studies has looked more at the "ending" (in terms of both natural closure or intentional termination) of long-lasting single business relationships occurring between mature businesses rather than addressing the issue of the failure of initial business relationships in the context of new ventures; neither these studies have addressed the issue of the failure of the entire new venture. Despite these limitations, studies on relationships ending have the merit to have proved the ability of some business relationships to survive inefficiencies and failures even in the absence of a proper supporting technical or organizational substratum. At the same time – given the many liabilities limiting the new ventures' ability and opportunities to relate to others and initiate relationships – it can be argued that initial business relationships, although more fragile and likely to rapidly decay and fail than mature relationships, may survive initial liabilities and continue even after failure.

### 2.3 Summarizing the industrial marketing and purchasing perspective on the topic

In summary, IMP scholars suggest that initial relationships should be regarded as a preferential dimension of analysis to understand the emergence of new ventures: so, we argue, it is for the post-failure stage of a new venture. Initial relationships represent the focus through which observing the development as well as the death of a new venture in the context of a business network. Previous research shows that the process of interaction occurring between two actors can survive the ending of its underlying relationships. This is particularly true in the case of mature formal business relationships (Gidhagen and Havila, 2016): the end of a mature business relationship, in certain cases, can give rise to subsequent interactions (even though more informally and loosely) between the former partners that can develop an interest to explore further and new opportunities to interact after failure (Gidhagen and Havila, 2014). The end of a business relationship, thus, can give actors an opportunity to terminate wasteful processes and unproductive activities, as well as disassemble obsolete resource configurations to replace or move towards more productive processes. This sort of post-failure dynamic has been confirmed to exist also in the context of the failure of new ventures, with a broader dimension and impact. Given the high failure rate of new ventures, IMP scholars have gone as far as to say that new ventures can be regarded as organizational carriers (or, more metaphorically, "vessels") of resource configurations (Baraldi *et al.*, 2017). Thus, attention has been given to the resource layer of business relationships, observing the journey of material resources even after the organizational dissolution of their carrying firms. Given that, however, less attention has been paid to the role of activities and actors after failure. Thus, we argue that the exploration of these elements – and how these elements relate to residual material resources – in the post-failure phase of a new venture could provide a fruitful contribution to IMP studies on new business formation and development in business networks.

## 3. Methodology

Given the exploratory nature of this research, a case study methodology has been selected (Yin, 2009), which is the preferred methodology when the units of analysis are organizations and relationships (Easton, 2010). A case method offers opportunities to capture the development over time of a new phenomenon in its context (Dubois and Gadde, 2002): this approach is particularly suitable for going more in-depth into the processual and contextual nature of the phenomenon of new ventures' post-failure phase. Two cases have been selected for the purpose of this study. The cases were purposely selected for their revelatory potential (Siggelkow, 2007; Eisenhardt and Graebner, 2007). More specifically, two cases of failed new ventures were selected (fictitious names have been given for reasons of privacy): Alpha and Beta, two Italian technology-based new ventures that, after an early stage of conception and development, have been established as a business and have operated regularly for at least two years before failing. The authors were already studying the cases of the two technology-based new ventures for other research purposes when the failure occurred. For this reason, to the aim of this study, not only were used interviews and data collected concerning the failure but also the data previously collected on the creation and development of the two companies were also used, functional to a better understanding of the context, the causes of the failure and the previous and subsequent dynamics. The two cases reveal that the development of the two ventures – at least at the beginning – seems to progressively emerge through repeated interactions with customers based on a logic of "trial and error" – as in the case of Alpha – or through the support of a "parent organization" – as in the case of Beta with the University Consortium. However, in both cases, the entrepreneurial teams hardly struggle to turn their initial interactions into stable and profitable business relationships until, inevitably, the need to close their companies occurs. Despite the failure, the two cases show that some of the developed interactions can survive the organizational dissolution of the venture producing some relevant outcomes in the aftermath of failure.

Data have been collected from both primary and secondary sources, which allowed triangulation (Woodside and Wilson, 2003) and enhanced the data credibility and the construct validity of the study (Creswell and Miller, 2000). The primary source of data was represented by in-depth interviews with members of the two ventures, conducted in person and by telephone, from 2016 to 2020 (Alpha) from 2014 to 2020 (Beta). In both cases, all the members of the entrepreneurial teams – three entrepreneurs for each case – were individually involved in the interviews, with a total of 13 interviews (six for the case of Alpha, seven for the case of Beta). Each interview lasted between 45 and 120 min, recorded and transcribed to ensure data recording accuracy. Altogether, more than 600 min of recording and about 90 pages of transcripts were collected. Follow-up interviews, emails and phone calls were used to integrate missing information, solve issues that were unclear in the preliminary data analysis and verify that the data were understood correctly by the researchers. While the initial months of the new ventures' development are an ex-post reconstruction, the remaining years were followed "in real-time", through regular contact, even during the failure and post-failure phase.

Data collected through interviews were triangulated with information from secondary sources: companies' web pages, companies' internal reports, the material provided by the informants, companies' annual reports (all the years available), press articles and online video interviews (see Table 1).

Researcher triangulation was performed by a parallel reading of the material collected. Additionally, the prolonged engagement of the authors with the two companies allowed a deep understanding of the context. As for the case analysis, the multiple data emerging from primary and secondary sources were systematized to develop a full chronology of events involving the initial steps of the new venture and the failure and post-failure phases. This analysis was conducted together by the authors and translated into the two cases' history reported in the following two sections. After that, the case analysis moved on to offer an "interpretation of what transpired that goes beyond that offered by the informants" (Labianca *et al.*, 2000, p. 242). Data were coded into common themes and then pattern matching (Miles and Huberman, 1994). The author carried out this procedure independently; in a subsequent comparison step, it emerged that few disagreements arose about the relevant themes concerning the failure and post-failure phases. The results of this analysis are discussed in Section 6, with three main topics areas: the formation, networking and failure of the new ventures; the activities carried on in the post-failure phase; the role of entrepreneurs in managing and combining resources and relationships in the post-failure phase.

## 4. The case of Alpha

### 4.1 The launch and development of Alpha

Alpha was an Italian innovative start-up venture responsible for having launched one of the first online platforms for equity crowdfunding in Italy. The start-up has been closed officially in 2016 after three years of development.

Alpha starts as a project in 2013 by a team of three young professionals with a strong background in innovation in entrepreneurial finance. The entrepreneurs meet for the first time at a start-up meeting organized by the government of the Marche region to foster local young entrepreneurship. On that occasion, the three aspiring entrepreneurs decide to collaborate on the development of an innovative online equity-crowdfunding platform, one of the first in Italy. The mission is to provide local start-ups with a new and more agile tool to raise capital more rapidly and effectively than the traditional channels. In 2013, however, equity crowdfunding is a quite new practice in the context of Italian start-ups, despite its global success. Equity crowdfunding consists of the idea that an emerging start-up company rises part of the capital needed to grow through collecting "small" single amounts of money from a crowd of non-professional small investors in exchange for company shares. Unlike more popular forms of crowdfunding, such as donation- or reward-based crowdfunding – the team think that equity crowdfunding requires a set of supporting professional services – such as financial mentoring, campaign design and management and brokerage activities – to be properly performed.

The team starts promoting and networking the project among local organizations and institutions – such as business incubators, bank foundations and public organizations – reputed to have an interest in supporting or collaborating in the development of equity crowdfunding services and technologies for start-ups. In this phase, the team's objective is to develop some partnerships and collaborations to expand the relational network, increase the project's viability and gain access to additional financial resources. To this end, the team promotes a series of meetings and seminars to provide in-depth information about the Alpha project and the functioning of equity crowdfunding to local entrepreneurs, investors and stakeholders. In this process, the team decides to give priority to the development of direct (offline) relationships with the interested actors for three reasons. Firstly, because of the need to promote and explain in detail the functioning and opportunities of equity-crowdfunding. Secondly, because of the need to select start-ups and projects suitable for the development of potentially successful equity-crowdfunding campaigns in terms of stage of development, attractiveness, adequacy and growth potential. Finally, because of the need to generate trust and legitimacy in the local network as Alpha is an emerging actor with no previous connections.

At the end of 2013, Alpha is selected by the national government among the winners of a social innovation financing programme designed to support the emergence of innovative

**Table 1** Data collection

| Cases | Primary sources of data | Interview guide | Secondary sources of data |
|---|---|---|---|
| **Alpha** | - Two in-depth interviews with each member of the entrepreneurial team (three entrepreneurs)<br>- Total: six in-depth interviews<br>- Short follow-up interviews with all the members of the entrepreneurial team (individually or in group)<br>- Phone calls and Skype meetings with all the members of the entrepreneurial team (individually or in group)<br>- When: 2016–2020 | Before the failure:<br>- About the creation of the company<br>- Main steps of development<br>- Relevant business and personal relationships<br>- Main sources of difficulties and liabilities<br>During failure:<br>- Reasons<br>- Relationships with customers and other relevant actors during the crisis<br>- Inter-personal relationships and dynamics in the entrepreneurial team<br>- Individual feelings<br>After failure:<br>- Management of residual activities by the company<br>- Residual relationships with customers<br>- Inter-personal relationships<br>- Individual feelings<br>- Individual learning<br>- Activities and projects of each member of the entrepreneurial team | - companies' web pages;<br>- companies' internal reports and other material introduced by the informants;<br>- annual reports of the companies (when available);<br>- press articles;<br>- online video interviews |
| **Beta** | - Two in-depth interviews with each member of the entrepreneurial team (three entrepreneurs)<br>- One additional in-depth interview with one of the three entrepreneurs<br>- Total: seven in-depth interviews<br>- Short follow-up interviews with all the members of the entrepreneurial team (individually or in group)<br>- Phone calls and Skype meetings with all the members of the entrepreneurial team (individually or in group)<br>- When: 2014–2020 | | |

start-ups. Thus, the team starts investing in the development of the digital platform by developing a collaboration with a local small software house. At the beginning of 2014, the Alpha project is officially turned into an innovative start-up company and registered to the national registry for equity crowdfunding. However, several problems appeared right after the company is set up. Firstly, the ongoing networking activities are not producing the expected results: after several months of arduous and continuous interactions, no proponent entrepreneurs are willing to launch an online campaign. Entrepreneurs expect to obtain considerable information and training before evaluating the idea of launching a campaign. In this process, many of them appear to be more interested in collecting information, contacts and business advice – thanks to continuous interactions, the team becomes perfectly capable of analyzing, planning and supporting the work of start-ups – rather than seizing the opportunity of developing a concrete campaign. Secondly, investors require specifications and strong guarantees for both the solidity and profitability of supported entrepreneurial projects. In this regard, investors ask to develop face-to-face close contacts with proponent entrepreneurs rather than online mediated interactions. This aspect persuades the team to perform more accurate research and selection of projects to be proposed to investors.

The selection process, however, makes the intermediation activity between entrepreneurs and investors more onerous and complex. The team affirms that this is because of the need, and difficulty, of properly matching investors and entrepreneurial projects and triggering the final decision to invest: this process is complex as it requires assessing, mediating and composing mutual concerns, plans and goals while guaranteeing the generation of mutual advantages. Continuous negotiations on both sides result in highly resource-consuming for the team, especially in terms of personal, time and financial resources. Also, intense local networking, promotional activities, mentoring and intermediation activities, as well as the intense networking with new ventures and organizations are not leading to generating remunerative results in terms of concrete transactions or campaigns. To try to overcome these difficulties, the team decided to expand the range of its networking starting by promoting the Alpha project across the entire Italian territory by participating in various meetings and conferences.

Finally, at the beginning of 2015, the Alpha portal is officially launched on the internet. The same year, some trial campaigns are finally launched in collaboration with a local business incubator and a group of incubatees selected as test users. Many difficulties, however, emerge during this trial and contributions are too scarce and not sufficient to make campaigns successful.

### 4.2 The failure and the post-failure phases of Alpha

After the efforts over the past three years, the development of the venture arrives at a sort of blind alley. The collaboration with the local business incubator is the last attempt of the team to try to get the business off the ground. Financial resources, as well as personal resources, are at the lowest level, so the development of Alpha seems compromised. The overall flow of activities, such as mediation, networking, promotion and consulting, becomes too much onerous for the team to be performed, especially if considering that each of the members is (more or less) still used in the previous job. Despite some of the relationships with proponent entrepreneurs and investors seem to be developing towards promising directions, only a few seem to be effectively able to generate the right conditions that would be needed to develop effective campaigns or transactions between the parties. Furthermore, the promised funds from the national innovation programme are not yet available, while Alpha has generated the expected results neither in terms of monetary returns nor in terms of the launch of successful campaigns.

All these factors, together with the emergence of personal disagreements about the future of the company, progressively lead the team to decide to dissolve the company. From this moment on, the three members take different paths. One member, for example, decides to continue to collaborate on some investment projects with investors and proponents. This is possible because Alpha has built valuable expertise and trust along the way, especially for what is concerning the consulting of proponent entrepreneurs. At the same time, some proponent entrepreneurs decide to continue interacting with the former team to obtain information about fundraising activities and opportunities, as well as having access to the team's network contacts. Within the three years of development of the Alpha project, the team has gained competencies in assisting start-up projects, designing business plans, building relationships with stakeholders and understanding proponent entrepreneurs' logic and needs. Thanks to these achievements, another Alpha team member decides to start building a career as a professional consultant in the field of entrepreneurial finance and crowdfunding. The entrepreneurs realize that the knowledge and competencies acquired are extremely unique and valuable in their genre. The experience of Alpha provides the team with a unique opportunity to learn about entrepreneurs' needs and behaviour, as well as brokerage dynamics in a wide range of different contexts and circumstances.

Also, other fundamental resources and infrastructures remain after the dissolution of Alpha: for instance, an online blog in the Fin-Tech area, developed by the team as a parallel project with the purpose to provide information about innovation and new technologies in the field of entrepreneurial finance. Surprisingly, the blog obtains international recognition and success from the very beginning, providing opportunities as well as network contacts and visibility to the Alpha team.

## 5. The case of Beta

### 5.1 The launch and development of Beta

Beta is a small company founded at the end of 2012 by three friends with a background in engineering. It operates in the fast-evolving market of software and server platforms, primarily with a focus on audio-video streaming platforms. Beta also works with embedded hardware and open-source systems based on Linux. Beta works with Italian customers, but its supply chain extends to Asia, especially South Korea, where Beta buys some prototypes or specific applications for software since most of these applications are developed and sold at lower prices. The three founders are motivated by their passion for software development, and they found a good business opportunity in the Italian market for the development of server platforms. The idea of Beta has its origin also in the three founders' previous work experiences for an online university, with the development of the e-learning platform and for the security system area of a railway company, with the development of software for the safety of passengers. The foundation and the initial development of Beta are driven and supported by a project of the local municipality and by the intervention of a University Consortium located in the same municipality through an incubation program.

The innovative idea behind the company is the development of software for audio-video streaming, and the strong convergence of embedded hardware and server platforms. Moreover, Beta has always built strong relationships with the customers by providing a comprehensive and fully tailor-made service. Up to 2019, the three founders have always worked alongside numerous interns and freelancers hired for individual projects. Being small, in terms of the number of employees, has always been seen as an advantage related to a leaner and faster organizational structure. The software development sector itself is an area primarily made up of freelancers. Two other important features of the company are its innovative content and flexibility towards customers in terms of total adaptation to their needs. Some of the difficulties encountered over the years have concerned the legal and administrative part of the job, which often slowed down the work, as well as the business management and organization of activities between the three founders, mainly because of their inexperience as entrepreneurs (e.g. who does what, who interfaces with the customer, etc.), even if the small size of the company has helped to overcome these difficulties.

Personal contacts and the intermediation of the University Consortium have played a central role in finding new customers. More specifically, the University Consortium has a role not only in promoting entrepreneurship but also as an intermediary, provider of consulting services and customer of the start-ups for the provision of other services. Beta falls in all cases described in the sense that it was first incubated by the University Consortium, which is also the supplier of some consulting services for Beta and intermediary between Beta and potential customers but is at the same time supplier of the University Consortium for certain services, such as software and website development and the management of databases. In this sense, the University Consortium has always considered Beta as a preferred supplier and, vice versa, Beta has benefited not only from consulting services but also from the intermediary role of University Consortium with potential customers and the more general reputation of University Consortium as research institution and promoter of new innovative companies. The reputation of the University Consortium, therefore, has increased the perception of the reliability and accountability of Beta.

### 5.2 The failure and the post-failure phases of Beta

At the beginning of 2019, despite the support from the University Consortium, the financial situation of Beta worsens as a consequence of major irregularities in payments by customers. Customers, especially the small ones, find it hard to be punctual with payments. Not only did the economic and financial problems put Beta in difficulty but also the management of the relationship with customers. Beta develops some projects with large companies in the fashion and luxury sectors. However, the contact with the customer, in this case, is not direct but mediated by intermediaries, mainly marketing consultants or agencies that managed direct relationships with the end customer. So, the lack of direct contact with the customer and the inability to negotiate directly means that the profit margin on the projects is increasingly reduced.

The real moment of change and crisis arrives in July 2019, when one of the three founders decides to leave Beta to accept a permanent contract in a large software house to guarantee greater economic stability. This important change in the team of founders, which is also reflected in the interpersonal relationships, leads to the decision to liquidate the company and, therefore, brings it to the end. Starting from the autumn of 2019, the liquidation procedure starts; therefore, Beta does not activate new contracts but concentrates on the collection of existing contracts. The ending of the company comes in early 2020.

Immediately after the definitive closure of Beta, the two former founders are still engaged in some fundamental activities with historical customers. In fact, over the years, Beta has created customized websites, in particular e-commerce platforms that require continuous maintenance and updating, which could not end with the end of Beta. The websites are developed in a customized way for the customer's needs; a cessation of their operation is unthinkable as it would cause great difficulties for the customer. Thus, the two former founders developed training programmes aimed not only at customers first but also at the new companies that replaced Beta in the management of the e-commerce platforms. These training and knowledge transfer activities make it possible to maintain an active relationship with the customers and develop additional skills and know-how, with particular reference to the development of e-commerce platforms for fashion and luxury companies. Furthermore, relationships with some key subjects, such as the University Consortium and other small historical clients, continue in the form of consultancy by the two former founders, both for the trust developed over the years and for the need to maintain and manage software developed and customized for the customer. In addition, the two former founders continue to use the offices at the University Consortium even in the months following the termination of Beta. About six months after the closure of Beta, one of the two founders continues to carry out the same activities as a freelance consultant, still based at the University Consortium, while the other, after completing some consulting projects with historical clients, has recently leveraged the skills and know-how acquired by obtaining a temporary employment contract in a company in his city.

## 6. Discussion

### 6.1 Activities in the post-failure phase

The two cases show that the development of the two ventures – at least at the beginning – seems to progressively emerge through repeated interactions with customers based on a logic of "trial and error" – as in the case of Alpha – or through the support of a "parent organization" (third actors) – as in the case of Beta with the University Consortium. However while, on the one hand, the initial exploration of the network produces an intense and beneficial exchange of information and knowledge between the entrepreneurial teams and interested counterparts – such as proponent entrepreneurs and investors, as well as local stakeholders (local public institutions and financial organizations) – on the other hand, the two teams hardly struggle to turn their initial interactions into stable and profitable business relationships until, inevitably, the need to close their companies occurs. Despite the failure, the two cases show that some of the developed interactions can survive the organizational dissolution of the venture producing some relevant outcomes in the aftermath of failure. This is particularly evident if looking at the Alpha case: despite the failure of Alpha, many investors and proponents show interest in continuing to interact with the team's members for finalizing ongoing crowdfunding projects as well as obtaining valuable information, consultancies and contacts in the field of crowdfunding. Surprisingly, in the post-failure phase of Alpha, the three former entrepreneurs find a way to focus and work on a restricted number of more profitable and interesting projects and relationships.

It is worth noting that in both cases, the failure of the company does not sign the termination of all developed activities. Accordingly, it is possible to discuss our first research question: *what are the activities occurring in a new venture's post-failure phase?*

The post-failure phase shows that the formal cessation of the business does not imply a cessation of activities by the entrepreneurial team that continue under a new guise, that of consulting. Not only does the networking activity continue with relevant actors, especially the customers, but also the continuation of the same is necessary to continue to develop those resources generated by the interaction with the customer, as in the case of Beta for the development and maintenance of customized software, and the use of the facilities of the University Consortium. At the same time, Alpha continues to play a mediation role in ongoing investor-start-up relationships and keeps developing a series of background projects and digital services such as the fintech Web blog. Entrepreneurial learning is high during failure and post-failure phases (Boso *et al.*, 2019): the research shows that Alpha has learned how to mentor nascent entrepreneurs and start-up teams and has acquired important knowledge about how to mediate relationships and deals between investors and entrepreneurs, while Beta has learned, among others, to develop training programmes and has acquired fundamental knowledge about the development of e-commerce solutions for the luxury fashion sector. How can this learning determine the emergence of new opportunities? In both cases, residual resources (primarily acquired competencies, knowledge, established relationships, the material remains as digital infrastructures and patents, as in the case of Alpha) are reused to pursue new viable configurations or opportunities through ended or failed relationships (Gidhagen and Havila, 2016).

Together with learning, these residual resources seem to play a role in providing content and direction to further interactions after failure. Alpha and Beta show that there are activities that continue to be performed even when the new venture is already failed. Not all activities cease to run with failure; some activities and relationships have continued. The failure and closure of a new venture primary imply the dissolution of its organizational and relational structures in the eye of both the entrepreneurial actor (single entrepreneur or team) and its embedding network. The analyzed cases show that these elements do not preclude at all the continuation of certain key team's activities. The failure phase itself represents a critical moment or event within the entrepreneurial team's life, particularly characterized by internal conflicts and tensions which reinforce the inefficiencies and problems afflicting the business until determining its closure. The post-failure phase, instead, consists of the overcoming of conflicts and the reorganization of the team's members and resources towards new individual initiatives and actions. Thus, given this emerging discussion, we argue the topic of failure has potential for IMP research as it offers the chance to extend our view of the process of start-ups' lifecycle and dynamics.

In summarizing, we advance the following research proposition:

*RP1*. In the post-failure phase of a new venture, relevant activities emerge and involve the recombination of the new venture's "residual" resources and activities into new activities and settings.

*RP2*. Business relationships and technical resources can survive the failure of a venture as residual resources to be used by entrepreneurs and counterparts to seize and/or create new opportunities.

### 6.2 Entrepreneurs managing and recombining resources in the post-failure phase

Given that most of the new ventures are led by entrepreneurial teams instead of single entrepreneurs, it is interesting to notice that multiple individual entrepreneurial careers can stem from a single new venture's failure. Concerning our second research question (*how do entrepreneurs cope with the residual resources of a new venture's failure?*), it can be argued that when the new venture no longer provides a healthy environment for the business and the team, the journey of the team members can continue by developing activities, relationships or resources towards different new directions and opportunities. The members tend to redesign their careers individually by pursuing personal, professional or entrepreneurial opportunities that can be found by interacting in residual relationships. As shown by the two cases, the start-up's customers can also offer managerial career opportunities to team members to take advantage of the start-up's failure by internalizing some of the former activities and competencies. In this case, a start-up's failure can represent an opportunity for those network actors that can acquire and use the knowledge and resources leaking from the defunct venture. In particular, intangible resources such as knowledge and competencies, as well as close relationships and contacts (primarily those of the entrepreneur's social network), are carried on by the entrepreneur, which becomes a sort of carrier of "residual" resources. In this regard, also specific technical resources, such as products or technological artefacts, can follow the entrepreneur and can be reused or released according to the emergence of new opportunities or, instead, the entrepreneur's decision to cease activities. In this case, the entrepreneur can decide to freeze the innovation process and come back to his/her former professional activity waiting for further and better opportunities in the future. The cases show that the acquired entrepreneurial experience and knowledge can also be used by entrepreneurs to pursue personal career opportunities through residual relationships after failure. Entrepreneurs in technological start-ups, for instance, are skilled professionals that can exploit their connections and expertise to find managerial positions with former business partners. This process can reinforce the network capability of the failed entrepreneur as he/she is forced by failure to use relationships to explore the network for new opportunities both in the entrepreneurial as well as professional fields.

In general terms, it emerges that the entire start-up's staff, encompassing the entrepreneurial team, managers and employees, are potential carriers for the start-up's residual resources, primarily for what is concerning the sphere of knowledge resources and social relationships. New opportunities are explored starting from the direct connections developed during the new venturing experience, as direct business relationships can offer a better context wherein to employ residual resources and interact for creating more viable career opportunities. Former customers and suppliers can also decide to take advantage of the new venture's failure by offering job positions and collaboration opportunities to the former entrepreneurial team's members or managers to acquire relevant social and technical resources or internalize relevant processes, especially in the case of on-going innovation processes and projects. At the same time, network actors and former entrepreneurs can continue interacting to finalize incomplete processes or projects. This is the case of Alpha (actually a member of its team) that is pushed by some contacts to finalize the project of launching a new digital portal for providing information and news in the field of technological finance. Still, Alpha continues to provide support to the development of some relationships between proponent entrepreneurs and investors initiated well before the new venture's failure. This means that some business interactions can also continue in the aftermath of a new venture's failure:

*RP3*. Some relationships seem to produce a sort of "long tail" of interaction aimed at finalizing specific projects or processes or exploring the chance to pursue new opportunities from the resource combinations already developed in that setting.

Both cases show that new venture teams tend to break up after a failure because of internal conflicts, tensions or differences of opinions, which often emerged before the failure: members, thus, can decide to take separated career paths after failure by exploring different opportunities. Consequently, each member will become an individual career of residual resources and will be open to different interaction processes to recombine them.

This process is emphasized by the fact that former entrepreneurs seek to pursue a new career or entrepreneurial opportunities, especially by taking advantage of residual relationships and resources, as these offer an ideal context wherein to take advantage of residual resources as well as learned personal experience and competencies. These elements seem to tell that, after a failure, entrepreneurs try to provide continuity to their subsequent activities primarily by taking advantage of the previous experience of the network by remaining linked to specific relationships and networks reputed as relevant. At the same time, failure can provoke deep changes in the entrepreneur's journey determining the emergence of new, as well as unexpected, career trajectories that fall apparently outside the previous entrepreneurial path, as in the case of Beta. However, the two cases clearly show that new career and/or business opportunities can emerge from residual business relationships. This happens because, as seen, initial entrepreneurial relationships can survive and continue after the new venture's failure (Gidhagen and Havila, 2016). This is evident especially when intangible (social and knowledge) resources are combined to operate together with only a limited (and light) set of technical resources and infrastructures. Under these conditions, interactions in initial business relationships can continue after failure, thus generating the emergence of further resource developments and combinations as well as the exploration of new opportunities between parties. These elements show how entrepreneurial efforts can stress the boundaries of traditional venturing paths and that entrepreneurs can continue to network and interact in social and business relationships and networks even after a failure to develop their ideas and projects (Eklund *et al.*, 2018). Accordingly, we argue that:

*RP4.* The research focus on initial business relationships is expanded towards including the role and behaviour of the entrepreneurial actor in it, who is the carrier of relationships and resources throughout the life cycle of the company, including the post-failure phase.

This process can be strongly influenced by the entrepreneur's characteristics – especially in terms of possessed skills, knowledge and competencies – and interaction behaviour. This also implies that there are resources that can be acquired, combined and developed outside standardized business processes and structures: entrepreneurs seem to shape early resources and activities starting from developing social, rough and informal interactions with peers as friends, colleagues and professionals from their surrounding network. All these elements are visible in the aftermath of a new venturer's failure given the collapse of the organizational structure underlying the venturing process and the consequent necessity to restart the organizational process from scratch. However, this dynamic of failing and restarting seems to be crucial for entrepreneurs as this is a way to learn about and explore resources and create opportunities as well as collect and develop closer network contacts and relationships.

## 7. Conclusions

### 7.1 Theoretical and managerial implications

The paper has contributed to the IMP literature by shedding light on an under-investigated phenomenon: the post-failure phase of new ventures. The contribution goes in two directions: firstly, the paper has discussed the activities occurring in a new venture's post-failure phase; secondly, our study has focused the discussion on the role of entrepreneurs as relevant actors coping with the residual resources of a new venture's failure.

This research shows that the post-failure phase of a new venture is a critical stage allowing for major recombinations and changes in the resource layer of the former venture. Once the new venture is failed, new and unpredictable interactions and opportunities can arise in the network thanks to both the will of the entrepreneur to exploit residual resources to restart new projects and pursue new opportunities as well as the attempt of network actors to absorb leaking resources. Relationships remaining from failure are a means through which actors can create the right circumstances to reactivate processes and resources and provide continuity to previous interactions. This process, however, is unbalanced as creates relational hierarchies that external actors use to control the reorganization of residual elements. So, what characterizes this stage are continuous unexpected events involving the entrepreneur and the related necessity of the entrepreneur to improvise and react to the emerging situation to recover from failure and seize new opportunities. At the same time, failure also represents a breakthrough in the journey of the entrepreneur as it offers the chance to overcome the previous issues, inefficiencies and uncertainties hindering his activity. From the perspective of the entrepreneur, failure represents a key transition phase for the journey of an entrepreneur as it is a critical turning point that can give rise to new trajectories and directions through dramatic recombination of existing elements. In the context of the formation of new ventures, failure is a dynamic force that leads to a transformation of the entrepreneurial process both in terms of the entrepreneur's surrounding network as well as the entrepreneur's personal feelings, aims and motivations. This is particularly evident if looking at the journey of successful entrepreneurs, who usually go through a series of unsuccessful attempts before achieving positive outcomes (Sarasvathy *et al.*, 2013). A new venture's failure enables the emergence of different types of processes in business networks related to both ending and starting up in business networks. We know from previous research that in innovation journeys, resources can travel through different organizational systems towards new and different settings after a failure (Baraldi *et al.*, 2017). However, the present study shows that entrepreneurs play a key role in exploiting or recombining residual resources in new settings and contexts. The entrepreneur can continue interacting resources through remaining relationships to seize new career and working opportunities, recover or restart previous projects or even pursue new entrepreneurial ideas through assembling and launching new projects or ventures. In this way, residual relationships – among other resources – can become a source of new opportunities for the entrepreneur, and they can also be used by counterparts as a means to try to integrate residual resources, activities and even actors coming out of the failed venture. Entrepreneurs are valuable carriers of intangible resources such as knowledge, competencies and experience that can be used by external actors through job offerings or the development of collaborations and projects.

Thus, the journey of an entrepreneur undergoes relevant changes as new – as well as unexpected – interactions, processes and opportunities can arise in the residual network surrounding the entrepreneur. The outcomes of these processes are largely dependent on both the entrepreneur's motivations, experience and intention (Boso *et al.*, 2019) as well as on contextual interactions and variables determining the emergence of contingent and unpredictable new entrepreneurial and/or professional trajectories and opportunities in the surrounding network. Residual relationships, thus, are one of the primary means connecting failure to new beginnings as they represent the base upon which giving impulse to remaining resources and processes. As said above, a defunct venture does not vanish into a vacuum; rather various forms of interactions, resources and ongoing processes can survive to failure and continue in the network under different circumstances. These findings can be key to better understanding how the entrepreneur's journey unfolds through various ventures and development phases as well as the dynamics underlying the way entrepreneurs deal with changes and restarts after failure. The paper also has some managerial implications. Even if often the failure of a new business represents a moment of great personal and professional difficulty, almost a "stigma", entrepreneurs should not only limit themselves to learning from this moment but also should invest time and resources in the post-failure phase. Entrepreneurs should try to make the most of this phase to: develop new skills and competencies; cultivate business relationships, especially with the most important customers and manage the remaining resources to seize new career opportunities and sometimes unexpected business opportunities.

### 7.2 Avenues for future research and limitations

We have gathered together insights from previous IMP studies and combined them with our empirical results to highlight future research directions to develop further the topic. From an IMP perspective, we believe that emphasizing the role and interaction behaviour of entrepreneurs after a failure could contribute to generating new insights about how new ventures "rise and fall" in networks and how this reiterative entrepreneurial dynamic can lead to the establishment of successful new businesses. Thus, we argue there is a lot of room to make further research on the issue of new ventures' failure and post-failure from an IMP perspective.

More efforts in the field are needed to deal with the complexity of the business failure and post-failure phases in the context of new ventures, well beyond the scope of the present study. More specifically, the way and the extent to which residual resources can influence the chance of new opportunities to emerge need to be further investigated to find out how residual resources provide support and hindrances to this process. Additionally, how the entrepreneur relates and combines learning from failure and residual resources to enact the emergence of new opportunities and/or restart new ventures requires further investigation. We also believe that the present study suggests three more avenues for future research. The first concerns the relationship lifecycle and the relevance of relationship ending and post-ending phases. The second concerns the resource layer in ending relationships in terms of how established resource configurations come to be dismissed, retained, recovered and/or released in the former network. The third research direction concerns the need to further explore the role and behaviour of the entrepreneurial team rather than individual entrepreneurs, as each former team member gives rise to different trajectories and interactions in the aftermath of a failure by exploiting personal and specific configurations of residual resources.

To conclude, the paper also has some limits. As an emerging topic, the literature background sustaining the theoretical reasoning concerning the paper is limited as previous studies on this subject are rather scarce in the industrial marketing literature. An interdisciplinary approach may contribute to the development of the topic under study. Moreover, the paper is based on two cases, and no generalizations are achievable. However, the nature of the paper is explorative, and the case study method is suitable to observe such complex and emerging phenomena as interaction behaviours and processes unfolding during the post-failure phase of a new venture.

## Note

1. https://startupgenome.com/report/gser2021

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