

Turnaround Project 2022-2023

[How does culture shape entrepreneurial spirit and reflect on its business behavior/decision-making process?]



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PREFACE

Entrepreneurship is a strong motor for nowadays economy. Its value has gone beyond merely a career title. Entrepreneurs are striving for business success, and what comes closely in the opposite of business success is business failure. Bankruptcy, a term carries the intonation of stigma, existing as a burden on the entrepreneurs. Therefore, to prepare for or to prevent such event from happening at all, a turnaround plan plays an important role in navigating businesses through such troubling situations.

In this report, we are investigating two concepts, entrepreneurship and turnaround management in the context of culture, underpinning relevant Chinese philosophical principles advocated by the participant during the interview. With this paper, we strive to contribute a better understanding of how culture shapes the spirit of entrepreneurs, extended to the attitudes towards the event of bankruptcy, and eventually how does it affect the process of crisis decision-making. The interviewee is a Chinese businessman, who claimed was raised with traditional Chinese value and firmly follows traditional Chinese philosophy (Confucianism in particular) as a guidance to his life.

Nowadays businesses are only getting more international. Under such a globalised context, it is important to preserve diversity and embrace the differences. To do that, understanding the business and entrepreneurs in its unique cultural context is an imperative.

Jiayi Lin

Leiden, 05/2023

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RESEARCH REPORT

1. Introduction

The word entrepreneur originates from French ‘*entreprendre*’, meaning ‘to undertake’. Therefore, the word itself already indicates a crucial characteristic of described individuals – risk taking. However, it takes more than just being courageous to start a business. Taking the risk might be a genericity, but there must exists other qualities to make one succeed. Described by *Entrepreneur* magazine, the successful entrepreneurs are the ones not only willing to take risk, but also succeed in managing risk. It is reasonable to assume that entrepreneurs are just like any other occupations, an entity with its distinctive and unique personality. However, while personal experience contributes tremendously into shaping one’s character, but in a bigger context, the culture where the persons habituate influence as well substantially. In other words, the entrepreneurial characteristics are certainly not formed in isolate, but embedded deeply within its culture, influencing businesses from the stage before they have even started, till the very end of it.

Bankruptcy is never an unfamiliar concept to entrepreneurs. In business world, once the enterprise goes insolvent or bankrupt, it seems to mark the end of it. Indeed, it would be unanimous between good-faith entrepreneurs that no matter what they do, they do it to prevent the business from failure. Apart from being diligent in its daily operations, which in minimum keep the clock running, there are also other means of preventing bankruptcy. In rather late stage of a distressed business, a successful turnaround management is to be addressed to give the endmost business one more active push.

To defeat the odds of ‘more than half of the start-up fails within the first five years’, there are a few things to be considered on the checklist:

1. **A clear vision to identify the issues from different perspectives.** To make an extensive issue identification, the application of ‘conceptual failure model of possible causes of bankruptcy’ propose by Ooghe and Pijker serves as a useful framework. It maps out causes structurally and make them inter-connected (see appendix 1). Furthermore, to inspect the causes from different standpoints, recognizing the biases brought by two branch way of thinking is important. The concept of ‘Deterministic and Voluntaristic’ proposed by Mellahi with Wilkinson in 2004, serves as explanations for organizational failure with the focus on how the causes would be perceived differently from a different standpoint.
2. **A thorough plan of how to tackle down every possible cause of bankruptcy.** Once the issues have been identified, an executive plan then calls to exist. There are many frameworks that exists to function as an aid to come up with generic strategy for implementation. Slatter and Lovett’s work in 1999 is known in turnaround management, its framework being frequently referenced in the topic of corporate restructuring as a toolbox. Furthermore, Schimitt and Raisch, in their publication in 2013, delineate two generic approaches to corporate turnarounds: retrenchment and recovery, each indicates contradictory approach and elaborated on classic dualism and modern duality point of view of turnarounds. These two approaches serve distinctive functions for business during turbulent times.
3. **The capability to execute plans.** Once turnaround becomes inevitable, it calls for leaders. A ship cannot navigate itself in the sea without a captain knowing what to do. Turnaround leadership determines the implementation of strategy.

Leadership in turnaround situation is strategic, decisive, and action oriented (Slatter & Lovett, 1999).

Lastly, while considering the myriad of theories mentioned above addressing turnaround situations, it is crucial to recognize they are generic and often restricted to Western-centric applicability. The rise of discussion towards orientalism, appeals for a deeper understanding of diverse cultures. To understand and accept the diversity, forming a more harmonized international business atmosphere, enables a more peaceful and efficient business competition that benefits the market from a genuine global perspective. Every business operates in a community, and what surrounds it plays a pivotal role in the entrepreneurial experience and turnaround process, carrying on the aspects which underlines the importance of awareness for external cultural background. Generic strategy loses its charm if applied regardless the influence of culture (Trompenaars & Turner, 1997), cultural makes up corporate identity thus also exhibited also during turnaround process (Meyer, 2007).

2. Background of the Turnaround Research Project

The discussion towards business failure exists not only in the area of business, but also a widely discussed topic in academia. Business does exist primarily as a practice, but being a pure empiricist, solely rely on what the past experience taught you can lead to potential pitfalls when conducting business activities. Going through tough times in first person is undoubtedly a valuable asset to have, but studying the experiences from others, gaining insights about failure by analyzing their management critically as a third person, is as well priceless. There are evidences you can learn from turnaround research, in the paper “restructuring in the shadow of the law” by Jan

Adriaanse, multiple factors were listed as the causes to a business failure. Each categorical factor contains various specific grounds that could be studied for a business to avoid making the same mistakes (i.e., policy implementation, self-inspection, accelerating good relationship with external financial sources etc.,)

Grasping the elements lead to bankruptcy is a crucial, as it shapes the preemptive measures within a business to actively prevent such drastic event from happening in the first place, and secondly maximizing the possibility of business survival with a feasible turnaround plan if such situation does occur. The process of understanding the contributory factors of business failure, calls for the expertise from an academic perspective, with empirical science aiming to help business with survival restructuring.

Furthermore, research towards turnaround management also devote to a larger scope – policy making. A successful turnaround process cannot exist without favorable external environment. Thus, a clearer understanding of business struggles in a governmental level can help to achieve the goal, forming a friendly business administrative environment.

3. Brief discussion of relevant scientific literature on doing business in challenging times and the consequences for entrepreneurs

Navigating a boat in a turbulent water is handier than in the still water. In order to control the boat in unstable water area requires a different set of skills too. It is similar in business practice, but more complex. The situations which a business could be facing are highly unpredictable and complicated because the market is, at the end of the day, highly dynamic. But it is exactly the complexity, that stimulated the development of functional management. Doing a business requires different sectors

to inner-collaborate, and entrepreneurs need to know when to delegate power and how much. Running a business is a science, but having the eyes to employ the talent is an art. Especially during the challenging times, even though the entrepreneur plays a crucial part in leadership, but it is unlikely that an entrepreneur is equipped with all the skills it needed to turnaround the situation, a structured management that distributes power and information handling cannot be ignored (Andersen, 2019). In other words, in challenging time, entrepreneurship, management, and teamwork goes hand in hand, optimizing the business survival. The consequences one must bear from this are widely ranged from financial strain to mental health problems (Wiklund & Haynie, 2009).

4. Discussion on the design of the research interview

The answers to the questionnaire are obtained from an interview which carried online via WeChat, a widely used Chinese communication platform. The consent for recording is approved, together with a clear communication regarding the capture of content, the use of the recording, and privacy concern are completed, agreed by both parties prior to the interview. The interview was conducted in Chinese, therefore, the questions presented in the standard questionnaire have been verbally translated to Chinese, as the interviewee does not speak English¹. The questions have been reviewed beforehand in Chinese instead of an improvisation. The responses are captured in Chinese, but they are translated to English during transcription. The final result is presented in English, recorded on Qualtrics. There are 47 written questions, and a few probing questions during the interview to elicit a more thorough response.

¹ The interviewer, also the translator in this case, possessing a C2 level of English proficiency and is a native speaker of Chinese

The questions are aimed to gain an overall understanding of an entrepreneurial approach in the event of distress.

5. Report on the research interview process as a coherent storyline

We had firstly found our participant through interviewer's father's acquaintance. Before the official interview, there has been a criterion check regarding the size of the enterprise and number of employees. Once the criteria have been met, a follow-up interview was scheduled accordingly. Due to the geographic restriction, the interview had to be carried online.

The interview starts with collecting general information regarding the entrepreneur and its enterprise. Majority of the questions are used to elicit a few things:

1. The entrepreneur's insights in the situation of turnover set-back.
2. The entrepreneur's personal opinions in relation to entrepreneurship.
3. The entrepreneur's intention to seek for help and its preference of whom.
4. Few open questions such as AI, advice to the authority body for possible aiding improvements, and tips for fellow student on pursuing entrepreneurial career.

The questions are inter-connected and transition incrementally. As illustrated above, the personal insights and opinions towards being an entrepreneur relate largely with 'what kind of entrepreneur' this person is. Probing questions were asked to elicit the natural response from the interviewee. The character the entrepreneur possess affects approaches they might take on operations, how they perceive crisis, or the execution preference. In that way, we could observe whether there is a consistency in the business behavior and entrepreneur's characteristics. In our case, we observed a

pattern that the culture the entrepreneur resides in and the guiding philosophy he aspires himself to follow, reflected largely with the answers he gave to the questions.

6. Overview of answers to statements and closed questions:

Reporting in tables

The complete questionnaire link is attached in appendix. However, the table contains some selected texts from the answer serves as highlights that inspired tremendously to the specific choice of the paper topic and offered a more profound understanding of management under distress through the lens of culture.

| Statements and closed questions | Answers by entrepreneur |
|---|---|
| What was your reason for becoming an entrepreneur at the time? | <p>"We decided that my wife would stay home full-time fostering the kid.</p> <p>I was willing to bet on the freedom it would offer me once everything has gotten in place, which fortunately, it did soon enough.</p> <p>Moreover, I want my kid to have something that belongs to us as a family."</p> |
| Scaling question: how satisfied are you with your life as an entrepreneur? | <p>Moderately satisfied</p> <p>"It gave me the freedom as I expected, I am content with the life now, even though sometimes the ambition (of expending) does kick in."</p> |
| Research shows that 54% of entrepreneurs make a turnaround plan when they notice that their company has become loss-making. Furthermore, 17% do this if the company has structural liquidity problems. 29% make a change management plan at the | <p>"... start to prevent it from happening before it happens", so as a Chinese businessman, I understand that deepen in my heart. This is also the way I operate business.</p> |

| | |
|--|--|
| first signs of possible problems in the near future, whilst the business is still making a profit. What is your interpretation of these figures - do you recognize the situation? When would you intervene yourself? | <p>... Even if sometimes there is nothing to change, but there is always something we could do better,</p> <p>... the entrepreneur should never disassociate itself from its operation. ”</p> |
| Suppose you had problematic corporate debt and needed help, who would you first go to for help? | “In China, your network with peers outweighs a lot of things. ... more emphatic than stone-cold financial agencies in the sense of helping you.” |
| I see asking for external help in difficult times as a personal failure for myself as an entrepreneur. – somewhat agree | <p>“The word 'weakness' describes it better</p> <p>The former one might indicate more personal incompetency, but the latter one could tell the public about some relationship management issue. ”</p> |
| I am afraid of the stigma of bankruptcy. - agree | <p>“I am glad the business is at least not running upon debts from third-party finance, so I will not have to deal with bureaucracy if the unfortunate happens.</p> <p>I do have to face the chance of being overly pitied if it fails. In this society, we care about 'face' so much. Failing a business thus further being stamped as 'failed business man' does not stand good reputation in the circle... the trace of 'failure' will always be part of my reputation.</p> <p>However, again, I would like to address the importance of action than inaction. The best way to handle the fear of the stigma is to actively make sure it does not fail. At least in the end, you won't be sorry for yourself. ”</p> |
| Suppose that your turnover for next month suddenly drops by 30% due to unexpected external circumstances. Can you describe what you would do then? | <p>“I would firstly self-inspect ... then I will talk to the managers.</p> <p>I will start first with external reason to seek for solution.</p> <p>if it keeps showing signs of dropping, then we will have to handle this from an internal point of view more.”</p> |
| If you have indicated that some organizations are suitable or unsuitable to assist, or alternatively | “Even though banks and such wouldn't be my first resort to seek financial |

| | |
|---|---|
| <p>that you do not know what they can do for you (Section E above), what would you advise these organizations to do, in order to ensure that they are (1) perceived to be suitable by entrepreneurs and (2) improve their reachability?</p> | <p>help, ...but I still consider banks as a suitable agency</p> <p>As for tax authorities, perhaps they offer some relief on taxation but I don't think that is going to be much help...Frankly speaking I know very little about tax</p> <p>... preference of seek internal help first... my order of help would look like: friends/family > banks > government.</p> <p>I think if governmental body wants us to approach them in such event, they need to make them more approachable first."</p> |
| <p>Would you like to explain: If (you think chatbot will help entrepreneurs with their business) so, what is the benefit? If not, why not?</p> | <p>"... 'respecting and observing the technology, not to be fear of it</p> <p>... Perhaps in the future when this technology is really matured, that is going to cut the jobs. It could nonetheless still be a help for business owners;</p> <p>...I don't think there is any event in the past that has proven that it is a good idea to stop the progression and trying to go backwards."</p> |

7. Interview analysis: what lessons can be learnt from this interview?

7.1 reason for entrepreneurship

The responses of interviewee are profoundly influenced by traditional Chinese cultural norms. With proudly declaring himself as a traditional Chinese man, his entrepreneurship is deeply rooted in a family-centric base, depicted vividly in his answers.

Firstly, from the answer to question 17, the reason he became an entrepreneur was stemmed out of being a highly family-oriented individual. Traditional Chinese

value places family on a podium, once a family has formed, the relations between them is inseparable. “Blood is thicker than water”, “Without a family there is not a home” are widely spread proverb in Chinese society. This quality is mirrored from the answers of interviewee.

Moreover, the influence is specifically shown on the answer he gave to 20b, regarding the decision to maintain being a small-sized enterprise, as expanding would deviate from his initial intention – prioritizing family. Since now the business is generating profit, he had achieved the financial stability and flexibility, which he claims enlarging the business driven by ambition would be abandoning the very first intention of starting the business at all. His familial commitment puts a brake on his personal entrepreneurial ambitions. What his family values to him takes precedence over business, for whom devoted to align with the value of familial harmony is prioritized than individualism (Li, 2006).

7.2 turnaround management style

The traditional Chinese value also emerged in his answers to hypothetical questions regarding what he would do under distressed business situation. Breaking it down:

In question 23, he claimed if the business turnover has dropped 30% since the last month, he will firstly start self-inspection before seeking other possible causes that could be a result of negligence of the separate management. Self-inspection is a sign of being responsible to an enterprise. The signs of decrease in sale does not only show on the monthly balance sheet but also through daily operations. Therefore, if the owner had engaged as he would promise to, the signals perhaps could be picked up earlier. Self-inspection is rooted deeply in Confucianism, reflected the most from its “ren” – humanness and “li” – respect. Essentially it says no matter what powerful

position you find yourself, you always treat yourself as anyone else. Only in that way you could actively engage people and let the best ideas come through (Legge, 1971). A business guided by this mindset could have considerably positive influence. He also indicates he will proceed to inquire the managers and to consider where do they stand on the matter. A leader who listens allows the idea in the enterprise flow freely, further maximizing its potential.

In question 24a, regarding when he would intervene, he gave us the answer “when strategic crisis emerges.”, which corresponds to the 29% of the entrepreneurs with the same orientation. The reason he gave is centered around the argument “to prevent it from happening rather than solve it when it happens”, with a Chinese proverb. This stance can also be found in Western literature. In the book “managing crisis before they happen” written by Mitroff and Anagnos in 2001, they devoted the entire chapter 6 to detecting the weak signals, claiming that it is better that you are the first person to know the bad news, thus, to identify the crisis as early as possible. This aligns with taking measures at strategic crisis stage, as the directors are alert for potential failures, therefore, more efficient in further preventing it from happening, or aggravating.

In question 30a and 31a, the two questions concerning opinions on outsider views of bankruptcy on the entrepreneur. How other’s opinions burden on oneself is a long-lasting stigma of oriental societies. In Japan and China, there are many philosophical theories address this topic, but they all circle around one analogical concept: face. The abstract use of the word ‘face’ connects with your impression to others. When you accomplished something that is beneficial for your impression to the others, you reinforce a ‘positive face’ in front of other. Essentially, this ‘face’ concept is highly related with honor, respect, and reputation. A person who wants to succeed

in one society, they need to have a positive face for the public (Qi, 2011). Therefore, seeking external help and bearing the failure of bankruptcy certainly do not result in the benefit of building one's positive face. Having to live with a 'negative face' in the eyes of others could bring various downside impacts. For example, it makes it more difficult to seek further help or maintaining one's pride, as the respect from others had been demolished in the event of personal failure. The interviewee agreed on both statements.

7.3 Preference when seek for help

Lastly, for question 33 – 44, this section regards the preference for the source of external help. The interviewee indicated that he does not bear debt from financial agencies, and the money he used to start-up is funded from various internal source, such as the parent's legacy, financing from his wife and her family, or close friends. He does not have the intention to get banks involved unless it is necessary. This could be because of two possible reasons: one, the trust for banks is low, and the loaning policy for start-ups is less friendly than one's will. When he started the business in the 90s, the loan policy for start-ups in China had favored state-owned enterprise due to perceived risk profile, results in low accessibility for funding (Lardy, 1998; Garcia-Herrero, 2006). Two, valuable personal connection is more trustworthy and reliable than banks.

The second possible reason also stands, as in Chinese society, networking is beyond significant for one's business. Having a wide and well-connected network in China can boost one's career substantially (Luo, 1997)². Moreover, perhaps negotiating the terms of the loan is also easier with close friends than with profit-driven

² In this article, he also addressed the differences between building 'face' and Western networking

banks³. He believes his good credit reputation, and overall good people skill⁴, made him succeed in obtaining funds without asking help from the banks. Furthermore, the answers obtained from question 34 – 43 that elicit the specific preference/impression of funding resource, point at one possible implication: the unawareness and unfavored help of governmental body. This could be due to several reasons; these organizations are hardly approachable or fear for regulations (Cooper et al, 1994). As he indicated in question 44, if the government wants small to medium enterprise to approach them, they need to make them approachable first.

8. Conclusion and recommendations for policy makers

In the course of this research, to highlight of cultural influence on one's entrepreneurial behavior is indispensable. The cultural norms that foster personal growth is highly accountable for define business purpose and its decision making. A deeper understanding on orientalism and putting business under cultural contexts are one step further to eliminate biases, prejudice, and misunderstanding between groups in such globalized society, withholding the common goal of achieving peaceful business transaction and communication.

Therefore, in a larger scope, to accelerate, facilitate international trades, and creating a more harmonized international business environment. The policy maker could take into more consideration of diverging cultures that shape the businesses. In international policy context, for example, more friendly policies could be established to resolve/mitigate the conflict of cultural norms, or to amend the international

³ However, it is established that monetary discussion could easily affect the dynamics of friendships

⁴ The author's father, who is a friend of the interviewee, also has given acknowledgement on this topic

administrative law less bureaucratic. In a domestic scope, a local level public administrative body can be more approachable for SME. Private sectors such as banks, with adhering the domestic law, establishing more friendly and beneficial lending policy could attract more SME as customers.

PERMISSION BY THE ENTREPRENEUR

I hereby declare that:

- The interviewed entrepreneur has read my interview report, that he agrees with the content and that it may be used for the purpose of (my final grade for) in respect of the course Turnaround Management & Bankruptcy Law 2022-2023 at Leiden University.
- The interviewed entrepreneur has given permission for the publication of the interview content in forms of text transcription, possibly in slightly edited form to ensure the disclosure of personal and business sensitive information in accordance with applicable legal and ethical guidelines.
- His full name may not be made public, and the same applies to the name of the company. A pseudonym may be used for his name and the name of the company.

Additional comments: N/A.

REFLECTION ON YOUR OWN LEARNING PROCESS

I am more than honored to have conducted such interview. I looked at entrepreneurship and turnaround management from a more art, humanity, and behavioral science perspective, as a reflection of what my bachelor education has prepared me with. My three-year study in Cognitive Linguistics has been meticulously crafted to encompass these three disciplines, thus I am thrilled to see how it has been applied in this course. Although the journey was arduous, partly due to the concerted effort to overcome the language barrier, it was nevertheless a gratifying experience to bridge the gap between theories and practice.

However, there are two notable limitations in this study:

1. Once the cultural influence has been underlined, the finding of further evidence could be influenced with confirmation bias, where I subconsciously attempt to establish a link between a certain behavior with cultural norms.
2. The study is in essence a case study, therefore notwithstanding any significant statistical or conclusional power. However, it does contribute to the pool of business research that intertwining with cultural studies. Future research could delve further into the intricate realm of orientalism, considering the burgeoning growth of the Eastern market.

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We thank you for your time spent taking this survey.
Your response has been recorded.

Below is a summary of your responses

[Download PDF](#)

Background. Thank you for participating in this research. The goal is to:

- Understand how entrepreneurs think about and react to challenging times and financial distress in their business.
- Understand how entrepreneurs respond to setbacks and what their focus is when faced with a turnaround situation.
- Understand how entrepreneurs feel about seeking help in the event that their business gets tough (are they looking for help, and if so, where?).
- Understand what entrepreneurial skills are needed to make turnaround at an SME.

The results are used to learn from and, if possible, to help entrepreneurs. It is important that you answer from your intuition and feelings. There are no right or wrong answers!

Q1. Student details

| | |
|----------------|------------|
| Student Name | Jiayi Lin |
| Student Number | s2964384 |
| Interview Date | 12/05/2023 |

Q2. Student Group

Leiden

The Hague

APPENDIX: QALTRICS QUESTIONNAIR

Q3. Interviewee Location

The Netherlands

Other (Please specify)

Q4. May I record the conversation for interview transcription purposes? The file will be deleted after use. (If no, the interview may continue provided that you take care and are able to take enough notes).

Yes

No

Q5. Do you agree that the responses provided will be used anonymously and untraceably for scientific research and publications by Leiden University?

Yes

No

Q6. Entrepreneurs name

Q7. Gender

Male

Female

Non-binary / third gender

Prefer not to say

Q8. What is your age?

Q9. What is your (highest) education achieved?

Professional College for Education Science

10. What is the trade name for your company?

LiuYiShou Catering Co.

Q11. In what country is your business incorporated (location)?

The Netherlands

Other (Please specify)

China

Q12. In which industry is your company active?

Agriculture, forestry, and fishing

Mining

Construction

Manufacturing

Transportation and public utilities

Wholesale trade

Retail trade

Finance, insurance, real estate

Services

Public administration

Other (Non-classifiable establishments)

Q13. Please explain exactly what products/services your company provides?

Q13. What kind of business does your company provide?

A special hotpot soup restaurant with an unique green soup base. A special kind of soup base that people can't find anywhere else. Later on I jointly opened the second restaurants that serves Sichuan cuisine with a close friend.

Q14. How many employees does your company have?

around 28

Q15. How many years in total have you been an entrepreneur?

24

Q16. In what year did you start your current business?

1999

Q17. What was your reason for becoming an entrepreneur at the time (e.g., Coincidentally, By virtue of unemployment, By virtue of an opportunity that was identified)?

When me and my wife got married, we had a clear plan of having kids in the coming few years. My 9 to 5 job gives me very little flexibility and time to be with family. My wife also has a job, so we did not give it much thought before the baby comes. As the plan is getting put on the table, we decided that my wife would stay home full-time fostering the kid, and I will have something more flexible and potentially also higher pay. We think start something on our own is comparably a good way. I knew starting my own business would be very difficult, but I was willing to bet on the freedom it would offer me once everything has gotten in place, which fortunately, it did soon enough. Moreover, I want my kid to have something that belongs to us as a family. Two years after the restaurant has started, my daughter was born. At that point my small restaurant was already making positive turnover. The return only had very few personnels in the first three months, and thanks to the help from my wife during the first year with the business, she had then happily shifted her focus to the baby.

Q18. How many businesses (including your current business) have you started in your lifetime?

2

Q19. How many hours are you currently working in your company?

I don't have fixed working time anymore, but varies from 20hours - 32 hours a week, so I am still full-time working, but it is much more flexible.

Q20a. Can you indicate on a scale of 1 to 10 how satisfied you are with your life as an entrepreneur currently? 1 (Extremely dissatisfied) – 10 (Extremely satisfied)

| | | | | | | | | | | |
|---------------------------|-----------------------|---------------------------------------|----------------------|------------------------|---|---|---|---|---|----|
| Extremely dissatisfied | Somewhat dissatisfied | Neither satisfied nor dissatisfied | Moderately satisfied | Extremely satisfied | | | | | | |
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

How satisfied you are with your life as an entrepreneur currently



Q20b. Would you like to explain:

It gave me the freedom as I expected, but as witnessing the business bloomed with my own eyes, I wanted to expand, but then that would disregard the original reason of starting this business, which is spending more time with my family. so, I am content with the life now, even though sometimes the ambition does kick in.

Q21a. Has your satisfaction increased or decreased in the past year or remained the same?

Increased

Decreased

Same

Q21b. Would you like to explain:

I've always knew the purpose of myself starting off a business is because of my family, and I am very happy with how it turn out with my family right now, so i've got nothing to complain.

Q22a. Have you experienced difficult market situation/s with your company before?

Yes

No

Q22b. If so, can you explain what happened then, and how you managed it?

I'd have to say obviously the covid took a large hit on every industry in China due to our very strict lockdown plans. We were forbidden to open yet operating cost stayed at our expense. the rent kept sucking out the cash and we still had to pay our employees because we don't operate with 0-hour contract. It was a tough decision to make but I had to lay off a lot of employees. The profit generated in

the previous years were burning to cover the cost. We also had to stay in close contact with the supplier for the future reopening, but they were facing even larger threat of closing-off. I made numerous contact with different suppliers, hoping to find second best option in case we cannot keep the old supplier. Most frustrating thing was there was no revenue, due to the strict lockdown measurement, no delivery or any sort of contact with customer was demolished. But we knew one day it will reopen so we just have to sit through this period but also be prepared for the ease-up on lockdown, in this way as soon as new policy lands, we could re-operate in a timely manner. I just couldn't sit around and do nothing, taking measures for the future possible events really got me through that time period. Although, the damage remained moderately, as one of the luckiest. I could imagine the lockdown strikes the other business more disastrously.

Q23. Suppose that your turnover for next month suddenly drops by 30% due to unexpected external circumstances. Can you describe what you would do then (there are no right or wrong answer)?

It depends on what kind of external causes we are talking about, since different external reason lead to different solutions. I would firstly self-inspect, asking myself if I had disassociated from the company, and then I will talk to the managers to find out if they had any insightful ideas through monitoring the daily detailed operations. If the problem lies on dine-in. Then, again I will firstly communicate with the managers to ask if they had sensed anything 'unusual' during the period. Sales never drop for no reason. Business like us, we are essentially a service provider, so customer is our 'god'. Once we have accumulated enough customers base because of 'reputation', they always come back with more. So I will start first with external reason to seek for solution. One month of sales drop cannot be ignored, but it also does not poses us with a significant problem as long as the identification is in time, and manageable in strategy and financial wise. However, if it keeps showing signs of dropping, then we will have to handle this from an internal point of view more. For example, unfortunately catering industry does not offer you tremendous profit out of daily operation, so if the turnover continues to look bad, we might have to switch our food selection, or shrink team size.

Q24a. Research shows that 54% of entrepreneurs make a turnaround plan when they notice that their company has become loss-making. Furthermore, 17% do this if the company has structural liquidity problems. 29% make a change management plan at the first signs of possible problems in the near future, whilst the business is still making a profit. What is your interpretation of these figures - do you recognize the situation? When would you intervene yourself? (There are no right or wrong answer)

Liquidity Crisis (If the company has structural liquidity problems)

Earnings Crisis (When the company becomes loss-making)

Strategic Crisis (At the first signs of possible problems whilst the company is still profitable)

Q24b. Would you like to explain:

More than half of the entrepreneurs start feeling the urgency of crisis once there is a clear loss, that earning does not cover the cost, which is fair enough, but would really depend on the size of the enterprise. For a smaller business, where less complicated business structure, model operates, I could imagine it is less life-threatening because the 'chain of effect' does not influence largely. This applies to my case, my business model is simple, providing friendly service, our special soup base, and authentic fresh food for the customer is the core, whilst I made a slight alteration for different purpose of dining in order to differentiate ours from the other. However, this still does not complicate things too much as it

does not fundamentally alter the way we operate. Within the other two numbers, I see only a small amount of entrepreneurs starts its feeling of crisis even before there is any solid sign of loss. I think that being a very respectful standard, as in Chinese culture we always have the saying "防患于未然 start to prevent it from happening before it happens", so as a Chinese businessman, I understand that deepen in my heart. This is also the way I operate business. I have learnt my lesson from a few downturns from the beginning when business started off strong, so I was ignorant regarding the signs that I could have fixed earlier, or just be more proactive to spot the issue before it reveals itself. Although gladly I have learnt this from earlier, because right now would be even heavier to pay the price, so I am grateful. Therefore, I would personally intervene in very early stage, at the same time keep in close touch with the management. Even if sometimes there is nothing to change, but there is always something we could do better, especially I am not in control of every small activity we have, so it is unrealistic to make sure everything lives up to my standard in every moment, so I closely cooperate with the managers, and actively communicate in our daily operations. I'd strongly disagree with the 17% who only senses the crisis at the stage of central crisis. I don't think it is a healthy business mindset to have at all. At that certain stage, there are so many more things need to be drastically managed, and perhaps after all the effort, they were already deep in the swamp. Although it is still critical to take actions, I just think this indicates inactivity of the management, which the entrepreneur should never disassociate itself from its operation.

Q25a. I sometimes lie awake because of concerns about my company.

Strongly disagree

Disagree

Somewhat disagree

Neither agree nor disagree

Somewhat agree

Agree

Strongly agree

Q25b. Would you like to explain:

In the earlier stage, yes. At the beginning every prospect looks blurred. Especially when operating from 0 and the will of wanting us to stand out in the competition kept me up at night. The cuisine business is highly competitive and if we offer the same products as everyone else, there is a very little opportunity for us to secure the customers. Brainstorming with my wife during the early stage was effortful and heavy on both of us, but we managed to make a reason for the customer to choose us with our special offering, the unique soup base. Right now the business has been operating for years with stability. There is rarely serious problem, because we have secured our customer with quality and sincerity. My active engagement to the company is still important, the function of me is more of an overview than daily management, since I hire reliable management (what I call talents) for that, what I do is to ensure the communication be transparent and efficient. With the deeply embedded cultural influence, I strive to be diligent.

Q26a. I have had health problems due to concerns about my company.

| |
|----------------------------|
| Strongly disagree |
| Disagree |
| Somewhat disagree |
| Neither agree nor disagree |
| Somewhat agree |
| Agree |
| Strongly agree |

Q26b. Would you like to explain:

| |
|--|
| It again brings me back to a traditional Chinese philosophy concept: balance. We've had long history with finding balance in between various things, and I want to apply this principle in my life. I actually achieved to find the balance between work and life. I am lucky enough to have a happy family, and that is what means the most to me. Worrying doesn't do much things to me, I am more of an action-oriented person. |
|--|

Q27a. The concerns surrounding my company sometimes affect my social environment (family, children, friends).

| |
|----------------------------|
| Strongly disagree |
| Disagree |
| Somewhat disagree |
| Neither agree nor disagree |
| Somewhat agree |
| Agree |
| Strongly agree |

Q27b. Would you like to explain:

The answer is very similar as above. Balance, and voluntary choice of attitude.

Q28a. I am sometimes afraid of failing as an entrepreneur.

Strongly disagree

Disagree

Somewhat disagree

Neither agree nor disagree

Somewhat agree

Agree

Strongly agree

Q28b. Would you like to explain:

Instead of fearing about failure, I'd rather to act on the thoughts and be motivated about it. To prevent not to fix. The only way to be 'not afraid' is to conduct consistent precautions. Even though sometimes concerns cannot be waived, but for the external factors that are very little under my control, I tend to do my best for the things that are under my control, which are the internal factors that could bring my business the success.

Q29a. My friends and family understand that entrepreneurship is difficult and sometimes requires sacrifices in time and attention for them.

Strongly disagree

Disagree

Somewhat disagree

Neither agree nor disagree

Somewhat agree

Agree

Strongly agree

Q29b. Would you like to explain:

I will as well give a very neutral answer here, because my family, mainly my wife and I started this business together, so she was a big part of it too. As the business stabilised before my daughter was born, the most complicated and busiest part has gone, which left me with a relatively peaceful situation, so now I have enough time with my family most days of the year. My friends always visit me and I do have time to spend with them, sometimes we could even have our get-together in my restaurant. If we want to talk about the early stage, I don't really have that clear memory of but all I know is everyone was being supportive and understanding.

Q30a. I am afraid of the stigma of bankruptcy.

Strongly disagree

Disagree

Somewhat disagree

Neither agree nor disagree

Somewhat agree

Agree

Strongly agree

Q30b. Would you like to explain:

I started the business with the money I have accumulated in years, the money my parents left me and also finance from my wife and her family. I did borrow a certain amount from two of my close friends, and I made them shareholders at the start, but then when I had the financial capability to repurchase the shares back (after 2-3 years of operation), they gladly cashed out and understood the point of me trying to run the restaurants as a family business. Anyway, the point I was making is, that I am glad the business is at least not running upon debts from third-party finance, so I will not have to deal with bureaucracy if the unfortunate happens. Although, I do have to face the chance of being overly pitied if it fails. In this society, we care about 'face' so much. Failing a business thus further being stamped as 'failed business man' does not stand good reputation in the circle, and I don't think it is up to me to only keep this 'news' between my friends. Inevitably people will know that. It would be difficult to start over again, as the trace of 'failure' will always be part of my reputation. However, again, I would like to address the importance of action than inaction. The best way to handle the fear of the stigma is to

actively make sure it does not fail. At least in the end, you won't be sorry for yourself.

Q31a. I see asking for external help in difficult times as a personal failure for myself as an entrepreneur.

Strongly disagree

Disagree

Somewhat disagree

Neither agree nor disagree

Somewhat agree

Agree

Strongly agree

Q31b. Would you like to explain:

Instead of being seen as a personal failure, I think the word 'weakness' describes it better. Seeking external help for business in distress is no different than telling the public 'I cannot get my business running' and 'I have exhausted my internal help'. Thus, the provides such a disadvantage in every relation. Personal failure is perhaps a too heavy word, but is definitely showing weakness. The former one might indicate more personal incompetency, but the latter one could tell the public about some relationship management issue.

Q32a. Asking for help as an entrepreneur often does not work, because external parties do not understand the specific context of my company.

Strongly disagree

Disagree

Somewhat disagree

Neither agree nor disagree

Somewhat agree

Agree

Strongly agree

Q32b. Would you like to explain:

Essentially, I don't think they need to understand how specific about the company in order to provide assistance but to know the growth prospects? If there presents an executable plan and promising firm determination to act on it. External help does not help you because they want to do charity work, they will only help you if they think there is something in for them once the business reboot, if it ever could. Providing them with a specific plan, and make realistic promise are what matters the most to them. I am also aware that the objectives don't align, so I think precise and good faith communication is very helpful to mitigate this.

Q33a. Suppose you had problematic corporate debt and needed help, who would you first go to for help?

if I do have this weight borne on me, I will firstly seek financial advise from acquaintance that I know who is known to be an expert in this.

Q33b. Would you like to explain:

In China, your network with peers outweighs a lot of things. We are a nation of people who value connections, and they would be more emphatic than stone-cold financial agencies in the sense of helping you. I will also find separate legal counsel for that to understand the legal consequences of these debts. Just to be cautious not to dig the own grave because of the information asymmetry.

Q34a. How do you view the suitability of the following organisations / persons as advisors / service providers in the unlikely event that your business unexpectedly runs into problems? 1 (Not suitable) - 10 (Extremely suitable)

| Extremely unsuitable | Somewhat unsuitable | | Neither suitable nor unsuitable | Moderately suitable | Extremely suitable | | | | | |
|----------------------|---------------------|---|---------------------------------|---------------------|--------------------|---|---|---|---|----|
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

Your bank that extended credit

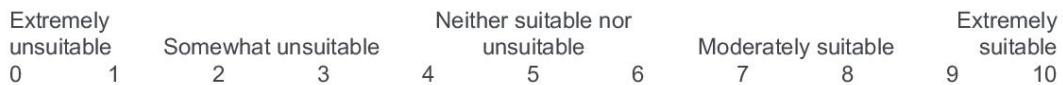


Q34b. Would you like to explain:

Banks are the strongest external financial resource I think I could get, although it would indicate the problem is too big to be covered with my every internal ability. However, it remains a suitable choice, as they seek for profit. It does occur that their interests will not be aligned with mine because we may have different goals.

Q35a. How do you view the suitability of the following organisations / persons as advisors / service

providers in the unlikely event that your business unexpectedly runs into problems? 1 (Not suitable) - 10 (Extremely suitable)



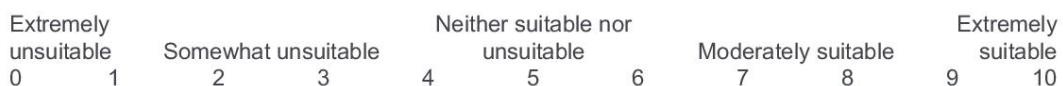
Tax authorities



Q35b. Would you like to explain:

I don't view tax authorities as a source of help at all in the described event. They mainly just want to make sure the tax claims and document is in compliance, but little help for helping the recovery.

Q36a. How do you view the suitability of the following organisations / persons as advisors / service providers in the unlikely event that your business unexpectedly runs into problems? 1 (Not suitable) - 10 (Extremely suitable)



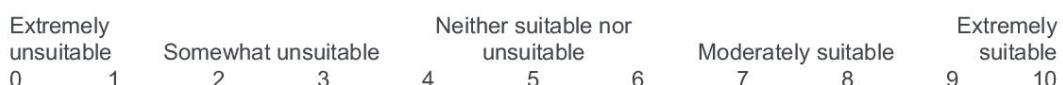
Chamber of Commerce



Q36b. Would you like to explain:

They might be the one holding the most resources but I think their help for me in the event of crisis will be limited.

Q37a. How do you view the suitability of the following organisations / persons as advisors / service providers in the unlikely event that your business unexpectedly runs into problems? 1 (Not suitable) - 10 (Extremely suitable)



Accountant / Bookkeeper

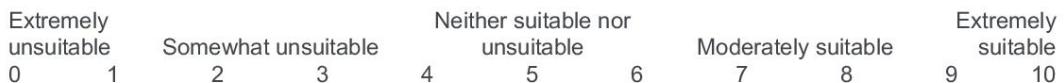


Q37b. Would you like to explain:

In order to locate the problem, I need to talk to the managers and accountant in the first place. I review and communicate with our accountant every month, to make sure there is no accumulated finance

issue. A competent accountant would also keep me informed regarding the 'odd' numbers in the balance sheet. Nevertheless, immediate communication with the accountant is a must if an unexpected problem is arisen.

Q38a. How do you view the suitability of the following organisations / persons as advisors / service providers in the unlikely event that your business unexpectedly runs into problems? 1 (Not suitable) - 10 (Extremely suitable)

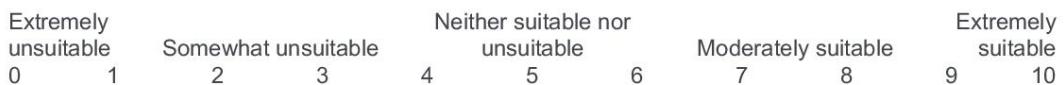


Specialized business consultant

Q38b. Would you like to explain:

They would not be the first party I run to, but if the issue could not be located or resolved by the internal force, then I would go to them as they are highly trained professionals with expertise, so they potentially have the eyes for details that we've missed.

Q39a. How do you view the suitability of the following organisations / persons as advisors / service providers in the unlikely event that your business unexpectedly runs into problems? 1 (Not suitable) - 10 (Extremely suitable)

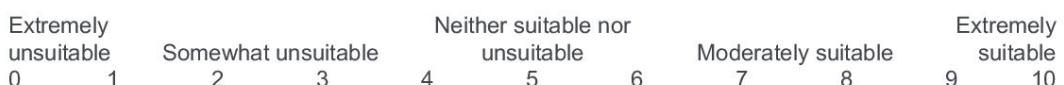


Local Municipality

Q39b. Would you like to explain:

I do not see a very relevant role municipality plays in assisting me recovering my business. I think they care more about submitting paper works and make sure I follow their hygiene and operating standards.

Q40a. How do you view the suitability of the following organisations / persons as advisors / service providers in the unlikely event that your business unexpectedly runs into problems? 1 (Not suitable) - 10 (Extremely suitable)

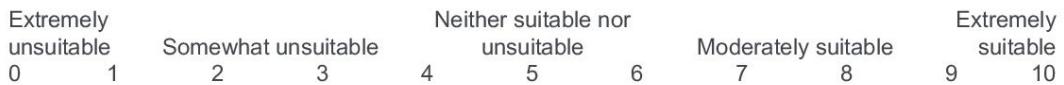


Friend or family member

Q40b. Would you like to explain:

I started this business with my family, they will always be the first resort of me finding a solution.

Q41a. How do you view the suitability of the following organisations / persons as advisors / service providers in the unlikely event that your business unexpectedly runs into problems? 1 (Not suitable) - 10 (Extremely suitable)



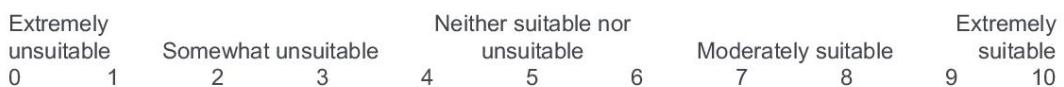
A fellow entrepreneur-friend



Q41b. Would you like to explain:

An advice from a fellow friend, perhaps who also had similar experience would mean a lot. As they understand more about your situation and will not just be talking about numbers. In distressed time, an empathetic advisement might offer more value than just plain words! They could also offer financial help that is more aligned with the best interest of the company instead of purely profit-pursuing (unlike banks).

Q42a. How do you view the suitability of the following organisations / persons as advisors / service providers in the unlikely event that your business unexpectedly runs into problems? 1 (Not suitable) - 10 (Extremely suitable)



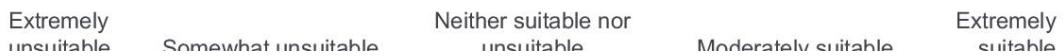
A debt relief body or institution (SME Continue is an example in The Netherlands)



Q42b. Would you like to explain:

I am not familiar with the concept.

Q43a. How do you view the suitability of the following organisations / persons as advisors / service providers in the unlikely event that your business unexpectedly runs into problems? 1 (Not suitable) - 10 (Extremely suitable)





Another body/organisation/person that has not yet been named here but that is suitable or even unsuitable in your opinion

Q43b. Would you like to explain:

As I mentioned above, I'd love to seek legal counsel as well to understand the legal consequences that could be potentially brought to the business if the problem remains.

Q44. If you have indicated that some organizations are suitable or unsuitable to assist, or alternatively that you do not know what they can do for you (Section E above), what would you advise these organizations to do, in order to ensure that they are (1) perceived to be suitable by entrepreneurs and (2) improve their reachability?

Even though banks and such wouldn't be my first resort to seek financial help, as I prefer to keep the aid first from internal, but I still consider banks as a suitable agency to provide financial resource in the event of distress. However it is notable that they will not have the same incentive as the business owner does because after all, they are profit-driven, meanwhile our own business mean more to us as owner than just the money. But as I mentioned in a previous question, communication and an executable plan is essential to keep a good relationship with them. I don't think there is anything to advise, since you can't really ask them to 'consider' to whatever personal situation you might have, because they are not charity. I assume the best outcome would result in both parties act in good faith, potentially the bank takes into consideration about the business means more than just profit, and the debtor stably fulfils their obligations as return. As for tax authorities, perhaps they offer some relief on taxation but I don't think that is going to be much help. There are on paper taxation benefit assists business in distress, but I have never gotten into the criteria to apply etc., I think this could be improved by more widely education on taxation benefits? Maybe provide some more obvious implementation standards! Frankly speaking I know very little about tax, I just follow the book and make sure I fulfil my responsibility. Again, personally I have a strong preference of seek internal help first instead of getting government involved early. My order of help would look like: friends/family > banks > government. There is no need to draw attention to a large extend as more attention brings more unnecessary scrutiny from external environment, that is certainly stressful and restrict your freedom of decision-making. For publics, "报喜不报忧" in Chinese meaning that inform others with good news, but keep the bad ones to yourself. I think it is just unnecessary to inform 'more than enough' people, unless you are near the cliff. I think if governmental body wants us to approach them in such event, they need to make them more approachable first.

Q45a.

Do you think that Artificial Intelligence (AI), for example a smart 'Chatbot', could help if an entrepreneur gets into trouble (as a total or partial replacement of an advisor)?

YES

NO

Q45b. Would you like to explain: If so, what is the benefit? If not, why not?

(note: chatGPT is not accessible with Chinese IP address. There are only adapted domestic models) It is interesting to see the chatbot, or AI technology in general swooping through business practice. I always hold a spirit of 'respecting and observing the technology, not to be fear of it', so I am excited to see what more is to come. I am not familiar with AI but I guess it is similar as any other technology development that's impacting the practice. For example, we had adapted a robot dish delivery cart especially during the covid time, which in that way we minimising the contact. It is still in application, which means that helped us with less employee needed. Our serving speed is also faster, as one cart can carry more dishes than one person. The route is pre-set so by just typing in the number, the cart will go to the table. I don't know how the chatbot operates now, but I've been enjoying the benefits brought by technology in general. Maybe sometimes it is hard to accept in the beginning, but we all know it pushes the society forward, so we just have to adapt it. Seeing how the chatbot works from you (I showed him an example question as illustration of how would a chatbot answers that), it does give a pretty good solutions, but it is still very general. The charm of human personnel is they could make instinctive choice and get real personal. And that helps business, general solution can at best only provide a direction, but detailed implementation to its own special situation is what matters the most. Perhaps in the future when this technology is really matured, that is going to cut the jobs. It could nonetheless still be a help for business owners, as we all know how expensive it is to hire an expert consultant or agency. If that day is really meant to come, then there is also nothing we could do to stop it, right? I don't think there is any event in the past that has proven that it is a good idea to stop the progression and trying to go backwards.

Q46.

What tips would you like to give to fellow entrepreneurs and students about entrepreneurship, especially when it comes to preventing or dealing with challenging conditions in their business?

General tip: Having a clear objective, be humble, get involved. I've seen people blinded by success and driven purely by revenue, and that didn't end well. Sometimes in order to win the war you have to lose the battles. You have to keep a clear objective because it will navigate you through difficult times, and it is easier to come up with suitable solutions if you know what you want to achieve with it. Be humble, listen to the people you hire, connect with the staffs. Be involved with your business don't let the previous small success makes you a '懶掌柜' lazy shopkeeper'. Be involved plays a crucial part in preventing business failure, as you keep a close eye on the company's operation, you could identify the issue from earlier stage thus solve it with less effort needed. Procrastination, no matter actively or passively, could kill the business in a long-term. If the business is indeed in a swamp, try your best to keep a positive mindset, even if it is harder to say than do, but we will have to go through the days anyway, the choice is on you. With a positive but also rational attitude I think will hugely contribute to having a clear vision and more power of action. Lastly, be patient, success does not come in one day, neither does failure. Acknowledging the fact that everything takes time would make you much less anxious.

Q66. To be completed by the student immediately after the interview:

- How did you feel about the interview you just conducted?
- What did you learn from this interview when it comes to entrepreneurship under difficult circumstances, turnaround management and the personal consequences for entrepreneurs as a result of challenging circumstances?

1. It was interesting to talk to someone who had experience in running a business. For now I only had

theoretical experience but I expected in practice there are many more variants to consider. However, I do think the theories are important because as I speak to him I could connect some of his words with known theories. That really gives me a feeling of experience and knowledge goes hand in hand. 2. Entrepreneurship is so much more than just taking-risk and be courageous. Every entrepreneur is different with its unique personality and the life attitude they live by. I didn't expect the attitude could penetrate in so many aspects of entrepreneurship (moreover, the management etc.,). Eventually, I think be attentive, rational-optimistic, and strong personal connection are very crucial in challenging circumstances.

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\Appendix 1: Conceptual failure model of possible causes of bankruptcy

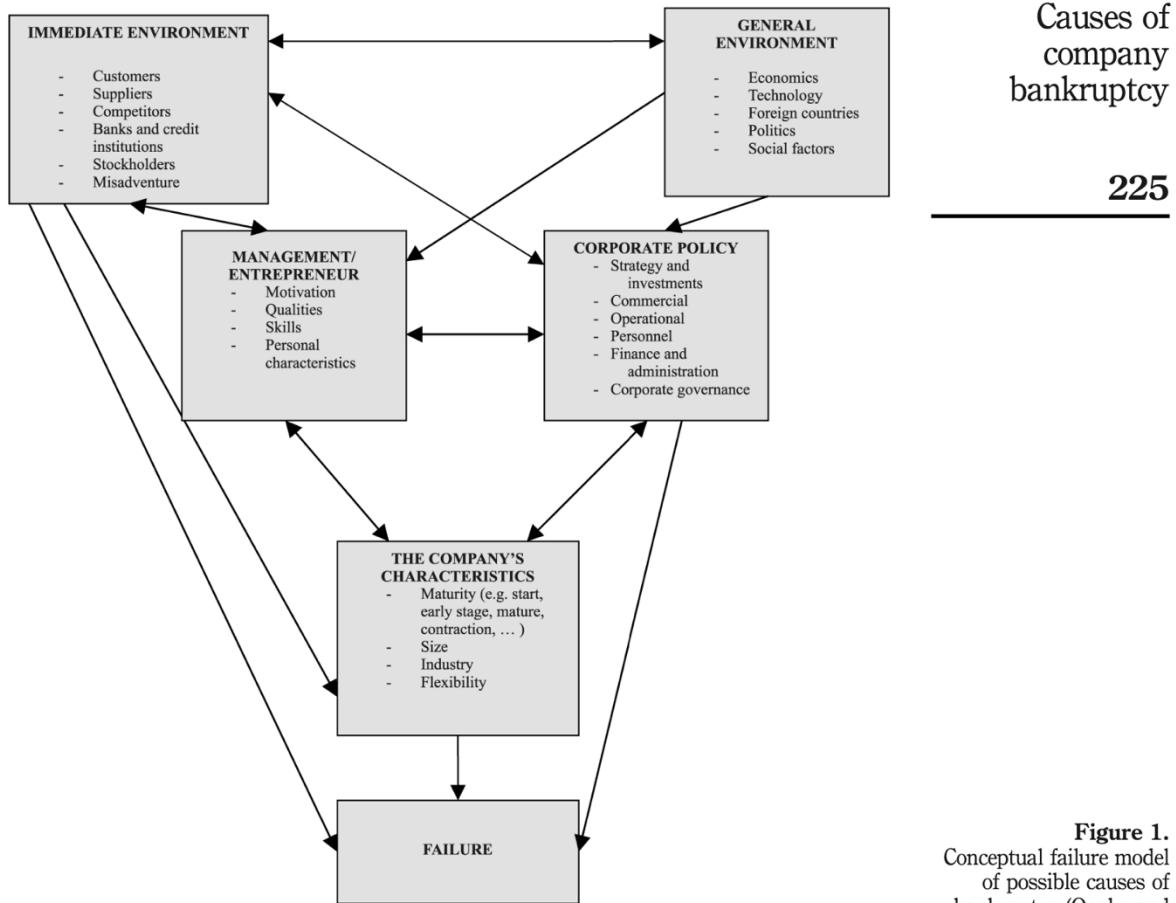


Figure 1.
Conceptual failure model
of possible causes of
bankruptcy (Ooghe and
Waeyaert, 2004)

Source: Ooghe and Waeyaert (2004)