Spotlight
by CeFEO

Does entrepreneurial failure hurt your chances of getting hired?

Back to work. How employers view entrepreneurial failure in job applicants

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The transition from entrepreneurship back into paid employment can be challenging, particularly for those whose businesses have failed. In the world of business, failure is often stigmatized, making re-entry into the job market difficult. For family businesses and growing enterprises alike, understanding how entrepreneurial failure is perceived can make a significant difference when hiring former entrepreneurs. This article discusses why entrepreneurial failure matters in today's job market and how it impacts hiring decisions.

WHAT WE STUDIED

The study focused on the perspectives of employers in growing, human-capital-intensive companies in Sweden, exploring how they perceive applicants with entrepreneurial failure. Interviews with 30 hiring managers revealed critical insights into the recruitment process. By examining the stigmatization and devaluation of entrepreneurial failure, the study highlights how personal biases and professional standards shape these evaluations.

KEY INSIGHTS

1. Mixed Views on Entrepreneurial Failure

Employers showed varying attitudes toward entrepreneurial failure, with some viewing it as a signal of poor decision-making while others saw it as an opportunity for growth and learning. Many employers, however, struggled with balancing the potential benefits of hiring a former entrepreneur with the perceived risks.

2. Industry-Specific Skills Can Outweigh Failure

In knowledge-intensive sectors, employers tended to place greater emphasis on the skills and certifications of the applicant, often seeing these as more valuable than their past entrepreneurial failures.

3. Internal vs. External Blame for Failure

A key factor influencing hiring decisions was how applicants explained their entrepreneurial failure. Employers preferred candidates who took personal accountability, citing internal reasons for their failure rather than external circumstances.

TAKEAWAYS

1. Honesty About Failure is Key

If you've experienced entrepreneurial failure, owning up to it and explaining what you've learned can help mitigate the stigma. Employers appreciate transparency and want to hear how you've grown from the experience.

2. Build on Your Industry Expertise

Focus on the industry in which you've gained entrepreneurial experience. Employers in that field may value your specific knowledge and skills, even if your business venture didn't succeed.

3. Network and References Matter

Many employers rely on their professional networks to gather information about former entrepreneurs. Maintaining positive industry relationships can help improve your reputation and employment prospects.

IMPACT

This study has broad implications for both family businesses and entrepreneurs. It highlights the complexities of transitioning from self-employment back to paid work and the biases that can impact re-entry into the workforce. Future research could

explore how these perceptions vary across different countries or industries.

RECOMMENDATIONS

Entrepreneurs seeking paid employment after a business failure should be prepared to explain their experiences honestly and highlight the skills and knowledge they've gained. Family businesses, meanwhile, should consider viewing entrepreneurial failure as a learning opportunity rather than a risk factor.

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