



## A new look at (business) failure and a fresh start

<http://ec.europa.eu/sme2chance>

Failure, prevention of failure and a fresh start are not topics to be dealt with only in business studies. We invite teachers to work with their students and take a new look at a number of related issues:

**Failure and learning from mistakes has been present in literature since time immemorial, from mythology to contemporary literature. Here are a few examples:**

### ➤ *Controlling risks and the story of Daedalus and Icarus*

Daedalus and Icarus, two characters from Greek mythology, tried to escape captivity on an island with the aid of self-made wax wings. Daedalus, the father, told his son Icarus not to fly too low, otherwise the moisture of the sea water would damage his wings. However, nor should he fly to high, otherwise the sun would melt the wings. When they had covered a large distance, Icarus became careless and – despite his father's warnings – got closer and closer to the sun. His wings melted, and he plunged into the sea.

This story can be followed with various questions to the students:

- What mistakes and experiences do we have to make ourselves, and to what extent can we benefit from the knowledge and experience of others?
- Icarus had to ensure not to fly too high or too low. How narrow is the ridge between success and failures?
- Icarus became careless and flew too high. What is the difference between carelessness and calculated risk? Were there any warning signs Icarus might have detected?

### ➤ *Failed entrepreneurs in past and contemporary literature. A good example is the novel "The Buddenbrooks" by Thomas Mann:*

"Enjoy doing business" – this motto was upheld by the Buddenbrook family for generations. The novel, which earned Thomas Mann the Nobel Prize, recounts the story of a merchant family during the years 1835-1877, a period characterised by social and economic changes. The Buddenbrooks' dealings did not remain unaffected by these developments, and the joy of doing business was increasingly giving way to sleepless nights. Energy and serene entrepreneurial spirit diminished from generation to generation, until the family and its economic existence fell apart.

This story can be followed with various questions to the students:

- What options do failed entrepreneurs have in our time? Has the situation improved substantially?
- How do you perceive the role of family and social environment if an entrepreneur gets into difficulties? (For discussions on social attitudes towards entrepreneurship the results of the Eurobarometer survey on entrepreneurship - Flash Eurobarometer No 192 - offer useful background information.)
- This can be complemented by the profiles of entrepreneurs who started afresh after a failure (available at <http://ec.europa.eu/sme2chance> (>Hall of Restarters). Entrepreneurs talk about how they experienced the loss of their company, about their difficulties and the support they received for their new start, and often also about the role of family members and friends in this process.



### ➤ *The strategies of Robinson Crusoe as an inspiration for surviving a crisis.*

Shipwrecked on a lonely island, Robinson Crusoe had to fight for his survival and safety. His story shows not only the incredible strength developed by people in critical situations, but also that a crisis leads to new attitudes and a changed perception of one's surroundings.

He also laid the foundation for the hitherto hostile island to become an inhabitable place, where people liked to settle and lived together peacefully. This may serve as an example for seemingly hopeless situations turning into something positive.

We also recommend the video "Lessons in getting up again" available from <http://ec.europa.eu/sme2chance> (>Teaching). Two entrepreneurs tell us how insolvency marked the beginning of a new undertaking that now fills them with enthusiasm.

### Great discoveries and inventions

European history has been characterised by great discoveries and inventions which were made possible only by overcoming setbacks and trying again.

- The development of the steam engine heralded the age of industrialisation, but brought James Watt close to bankruptcy and his partner to bankruptcy.
- Today we benefit from the readiness of aviators to risk their lives and overcome scepticism.
- Christopher Columbus failed to reach India but discovered the American continent.

At <http://ec.europa.eu/sme2chance> (>Quotes) you will find a number of quotations from well-known European personalities that highlight the impact that learning from mistakes has on new developments.

### Economic restructuring is a continuous process

On the way from rural society to industrialisation and further on to a service and information society, some industries and professions have almost disappeared, while new ones have emerged. Here are a few examples:

- The typewriter was replaced by the PC, and today's offices have little in common with those of just a few decades ago.
- The Morse code was replaced by the manually operated telephone exchange; today mobile phones are omnipresent.

Such developments alter our normal course of life and the world of labour. They also change the demand for certain products and services, which in turn leads to continuous processes of change in many sectors of the economy.

<http://ec.europa.eu/sme2chance> (>Facts and figures) lists data and facts on the importance of small and medium enterprises for Europe's economy and on the impact of restructuring processes.

### Insolvencies and the media

Insolvencies and entrepreneurial failure are frequently subjects for media reporting. If you analyse some of these reports together with your students, you will find that they often refer to insolvencies of large companies and/or fraudulent conduct. Small companies, however, often fail without being noticed by the media, and fraud is the rare exception from the rule.

Entrepreneurial failure and restart are a complex issue. In order to support an objective discussion, you will find a list of frequently asked questions at <http://ec.europa.eu/sme2chance> (>Discussion corner).

