

Europe's failure to deal with failure

Oberau – Failure is human – it can happen to anyone. That doesn't take off its cutting edge – it's unpleasant, sometimes dramatic, and often feels like a **bereavement**. However, failure could also be the start of many new opportunities, challenges, new options and possibilities.

The only thing that perpetuates failure is to turn it into a permanent state. Nature itself can look as if it is failing. But as always, nature is the most excellent teacher because when it fails, it proceeds to learn and improve – and that is called evolution.

Businesses also fail – services, products and entrepreneurs go through a cycle of ups and downs. But unfortunately – and unlike what happens typically in the US – in Europe, we lack the culture of dealing adequately and in a modern way with failure.

We stigmatize failed entrepreneurs

In entrepreneurship especially, failure is a taboo – Europeans stigmatize entrepreneurs, portray them as losers and refuse them a second, unburdened chance to **restart from scratch**. For decades, the average lifespan of enterprises worldwide has constantly been shrinking. In the EU, the death rates of enterprises, published by Eurostat's regional yearbooks, now averaged around eight to 10 per cent p. a. in relation to the population of active enterprises. But they vary within the reported 167 regions, almost from three to 19 per cent. In the US and Asia, it's similar. Thus, the average lifespan of businesses in democracies is short, just nine to eleven years.

A McKinsey study showed that less than two per cent of all companies reach the age of 100 years; half of all listed companies disappear within a decade. Only one in seven reaches the 30th year of life and only one in every 20th makes it to the 50th anniversary.

According to Eurostat's report "key figures on European business 2022 edition" in 2019, one out of every five enterprises born in the previous year in the EU's business economy had not survived their first year. The EU five-year survival rate for enterprises born in 2014 and still active in 2019 was 45 per cent; in other words, 55 per cent of all newly born enterprises from the 2014 cohort did not survive until 2019. And when we look at the survival rate of start-ups, we see an alarmingly from 80 up to 90 per cent of **doomed** cases within five years, especially when we look at the high-tech wizards.

The pity is that over two-thirds of the failing entrepreneurs become largely broke, traumatized and, in many countries, even stigmatized. Thus, they will never try again.

Aspiring entrepreneurs hear and read again and again, that failure is our most important teacher. But no one starts a business just looking for this lesson, of course.

In the EU, we have a non-culture of failure

Our highly conservative, old-fashioned and negative sentiment about failure might be due to our complex history of mind in Europe. We shouldn't be surprised why, out of the global nine digital giants – the so-called digital dragons or big nine – six are based in the US (Google, Amazon, Apple, IBM, Microsoft, and Meta) and three in China, (Baidu, Alibaba, and Tencent) but none are in Europe.



ENGLISH PRACTICE – You learn very little from winning. The act of failing, however, can lead to wisdom. But unfortunately, in Europe, we lack the culture of dealing adequately and in a modern way with failure.

You learn very little or even nothing from winning. The act of failing, however, can lead to great wisdom in business and life. Failure is inevitable – the trick is not to make a habit of it. There are always failed attempts, or you have to lose some to win some, such as breaking an egg to make an omelette. The most important thing is not to lose track; learn and stay tuned.

So, what's the most crucial thing in Silicon Valley? It's the rubbish bins! Because they know by concept and normality that one fails largely and has to reject 99 out of 100 ideas and attempts to get the one really successful product or company. Thus, frequently, you have to throw away all your work early, write off the investment and radically change your project, design, development or business model. In Silicon Valley, this is called pivoting and is welcomed, even pushed, by investors. In Europe, this sounds more like an alien concept.

An entrepreneur takes decisions and risks every hour of every day. But we never know beforehand how things will develop. The only constant is change –

hence, we sometimes succeed and sometimes fail. The risk of failing is inherent, always everywhere and within everything.

What would be the alternative to avoid failure? Just stop taking decisions. In its extreme form, this would lead to inactivity, irresponsibility, lack of civil courage, lack of independence, and complete lethargy. Nothing ventured, nothing gained.

From a democratic and political perspective, a culture that does not allow failure is questionable. As the Austrian-British philosopher and professor Karl Popper, once said in an interview with the German Handelsblatt group: "We can only gain from failing if our society does not sanction the failure".

We are too risk-averse

In Europe, as many studies prove, there is rarely a culture and tolerance in favour of failure, and business failures are viewed more critically than failures in general. In studies, many respondents think entering entrepreneurship is

not recommended due to the existing risk. The population suggests it is predominantly risk-averse and has little tolerance for entrepreneurial failure.

A 2019 study from Germany, authored by Marvin Faradjollahi, an associate at PwC, claims that more than 75 per cent of respondents are optimistic about whether failed entrepreneurs deserve a second chance, which is a positive change compared to two decades before. But when asked if they would enter a business relationship with a previously failed entrepreneur, over 40 per cent of respondents said they would be reluctant to buy goods from or invest in the business of a former failed entrepreneur.

On the other hand, many famous entrepreneurs in the US failed in business before becoming highly successful. A newspaper editor fired Walt Disney for not having any imagination, while Henry Ford founded two failed automotive companies before he was successful with Ford Motor Company.

When Apple fired Steve Jobs, he said, "The heaviness of being successful was replaced by the lightness of being a

beginner again." And we all know how that story continued. Max Levchin's PayPal was actually his fifth attempt at founding a successful company. Before co-founding LinkedIn and investing in big names like PayPal and Airbnb, Reid Hoffman created SocialNet, an online dating and social networking site that ultimately failed. And Evan Williams, co-founder of Twitter, failed miserably with his first podcasting platform, Odeo.

Bad luck

But what happens if you fail as an entrepreneur not just here and there but to the extreme extent, becoming – for whatever reason – not just insolvent with your business but, consequently, bust with all your personal liabilities for your venture, thus bankrupt? In the US, they just see it as bad luck, and within a few months, you'll get your **discharge**, hence, another chance. You'll even be encouraged to restart from scratch as an even more experienced and thus, more valuable entrepreneur.

Many US investors are, in fact, happier to invest in a start-up where someone with such a 360-degree entrepreneurial experience is involved, as they assume that because of this learning curve, it might be implausible that failure will repeat itself. In Continental Europe, if there are by any chance proceedings for personal bankruptcy – as this framework of law is still not perfectly harmonized or adequately implemented within the EU and hence very different country by country – discharge will take mostly three, five or even seven years. In some countries, this option is still not provided at all.

So, we shouldn't be surprised to see fewer successful businesses starting. The Global Entrepreneurship Monitor (GEM) report 2021/2022 still shows a worrying picture about the fear of failure rate. That's the Percentage of adults aged 18–64 who agree that they see good opportunities but would not start a business for fear it might fail. These are exemplary percentages of the failure rate of a few countries in Europe from the GEM report: Switzerland 30.4, Latvia 37.3, Norway 38.3, Netherlands 36.8, Germany 37.9, Slovenia 43.0, Poland 43.5, Sweden 43.6, France 44.1, Finland 44.5, Italy 45.3, Slovak Republic 46.0, Ireland 49.9, Cyprus 50.1, Spain 51, Greece 51.5, United Kingdom 51.8.

Failures are like tree leaves falling to the ground

Therefore, the founding father of the world's most valuable company to date – Apple – Steve Jobs, was right in his biography stating that, 'to build a real company that will still stand for something in a generation or two is the hardest work in business.'

There is nothing wrong with failing as long as illegal transactions don't cause it. Failures are like tree leaves falling to the ground, becoming the soil for the future. But if you don't allow trees to grow leaves because they can fall, you don't get soil anymore. And then you won't have any trees in the future. Or as stated in the Bible (John 12:24), 'unless a kernel of wheat falls to the ground and dies, it remains only a single seed. But if it dies, it produces many seeds.'

Therefore, we all should open up for more tolerance, a modern culture of failure in Europe. Following my motto: "To be successful isn't the problem. But to achieve enduring success is! To be sustainably successful is a great art, a perpetual challenge that follows its own rules and realities. Memento mori!"

Reinhold M. Karner

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THE AUTHOR is an entrepreneur, start-up evangelist, business adviser, science author, university lecturer and chairman of companies.



Einfach QR-Code scannen und mehr erfahren



Der Zauber liegt im Detail

Weihnachten steht vor der Tür und zauberhafte, kleine Dinge berühren unser Herz. Sie sind es, die diesem Fest und jedem Zuhause sein ganz eigenes Wohlgefühl geben. Es ist die Zeit für sinnliche Momente, Augenblicke der Freude und den Blick für all das, was im Alltag oft unterzugehen scheint.

Ihr Zuhause ist ein Ort mit vielen besonderen Details, die wir auf Ihren Wunsch in eine kostenlose Immobilienbewertung mit einfließen lassen – denn wir schätzen Ihr Zuhause so wie Sie.

Ihnen und Ihren Lieben wünschen wir eine wundervolle Weihnachtszeit und würden uns freuen, Sie auch im neuen Jahr wiederzusehen, oder kennenlernen zu dürfen. Online oder in einem unserer Shops – wir sind gerne für Sie da.



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INFO Glossary

bereavement: Verlust

to restart from scratch: neu anfangen, von vorne beginnen

doomed: dem Untergang geweiht

discharge: Ablauf, Entlassung, Austritt