

NATIONAL CULTURE AND FAILURE TOLERANCE: A COMPARATIVE STUDY OF HOW UNCERTAINTY AVOIDANCE AND INDIVIDUALISM SHAPE ENTREPRENEURS' PIVOT OR EXIT STRATEGIES AFTER VENTURE FAILURE

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Abstract

Entrepreneurial failure is an important but insufficiently understood stage of the entrepreneurial process. While existing research has examined the causes and consequences of venture failure, considerably less attention has been devoted to explaining why entrepreneurs facing similar failure circumstances choose different strategic responses, particularly whether to pivot, persist, re-enter, or exit entrepreneurship altogether. This paper examines how national culture, specifically uncertainty avoidance and individualism, shapes entrepreneurs' tolerance of venture failure and their subsequent strategic responses. Drawing on institutional theory, cultural-cognitive perspectives and the entrepreneurial failure literature, the paper develops a comparative conceptual framework linking national culture to entrepreneurs' interpretation of failure, emotional response, learning behaviour and post-failure strategic choice. The analysis proposes that high uncertainty avoidance increases the perceived costs and stigma associated with failure and consequently raises the probability of definitive exit, whereas lower uncertainty avoidance creates greater tolerance for experimentation, strategic adaptation and pivoting. Individualism is argued to have a dual effect. High individualism may strengthen personal agency, autonomy and willingness to reconstruct a failed venture through pivoting, but it may also intensify personal responsibility and reputational exposure following failure. By contrast, collectivist environments may provide stronger relational and material support for entrepreneurial re-entry, although social expectations and reputational concerns may also discourage visible entrepreneurial experimentation. A comparative analysis of the United States, Germany, Japan, Belgium/Brazil and Nigeria illustrates how different combinations of individualism and uncertainty avoidance can produce distinctive failure-response patterns. The paper proposes that failure tolerance is not simply an individual psychological attribute but a culturally embedded institutional phenomenon. It concludes that entrepreneurship policies should move beyond promoting start-up formation toward developing culturally sensitive failure-recovery ecosystems that facilitate learning, experimentation, responsible pivoting and productive re-entry.

Keywords: national culture, entrepreneurial failure, failure tolerance, uncertainty avoidance, individualism, collectivism, entrepreneurial pivot, entrepreneurial exit, re-entry, comparative entrepreneurship

1. Introduction

Entrepreneurial failure is an intrinsic feature of entrepreneurial activity. New ventures operate under conditions of incomplete information, resource constraints, market uncertainty and technological change, making failure an unavoidable possibility rather than an exceptional event. Nevertheless, the consequences of failure extend beyond the closure of a business. Failure may affect an entrepreneur's financial position, identity, reputation, emotional well-being, social relationships and willingness to undertake another entrepreneurial activity. Recent scholarship increasingly conceptualises failure as a process that can generate both liabilities and learning opportunities rather than simply as the termination of a venture (Kraus et al., 2020; Costa et al., 2023).

An important unresolved question concerns what entrepreneurs do after failure. Some entrepreneurs abandon entrepreneurship, while others establish another venture, continue with the original business after restructuring, or substantially change the business model through a strategic pivot. Consequently, venture failure does not produce a uniform behavioural outcome. The post-failure trajectory depends partly on the entrepreneur's interpretation of the failure, access to resources, previous experience, institutional environment and social context.

Recent evidence confirms that entrepreneurial re-entry is influenced by institutional and cultural conditions. A multilevel study covering 49 economies found that culture plays a significant role in entrepreneurial engagement following business failure, demonstrating that post-failure behaviour cannot be adequately explained solely by individual-level characteristics (Engel et al., 2023). Similarly, Costa et al. (2023) identify learning, fear, emotional responses and contextual conditions as important mechanisms linking failure to subsequent entrepreneurial re-entry.

National culture is particularly relevant because it establishes socially shared expectations concerning risk, uncertainty, personal responsibility, achievement, social reputation and acceptable responses to failure. Two dimensions are especially pertinent. The first is **uncertainty avoidance**, which concerns the extent to which members of a society are uncomfortable with ambiguity and uncertain situations. The second is **individualism**, which reflects the extent to which individuals are expected to act as autonomous persons rather than primarily as members of tightly integrated social groups. Contemporary entrepreneurship research continues to identify these dimensions as important determinants of entrepreneurial behaviour, although their effects are more complex than the simple assumption that individualism is always entrepreneurial and uncertainty avoidance is always anti-entrepreneurial (Cacciotti & Hayton, 2017; Minkov et al., 2019).

The central argument of this paper is that culture influences not only whether individuals become entrepreneurs but also how they respond when entrepreneurship does not succeed. A culture that tolerates uncertainty may make experimentation and strategic redirection more legitimate, increasing the likelihood of pivoting after failure. Conversely, strong uncertainty avoidance may make the ambiguity associated with continued experimentation psychologically and socially costly, encouraging entrepreneurs to seek closure through exit. Individualism may increase entrepreneurial agency and encourage entrepreneurs to reinterpret failure as an individual learning experience, thereby facilitating pivoting. At the same time, however, individualistic

cultures may place greater responsibility for failure on the individual entrepreneur, potentially increasing psychological and reputational costs.

The paper therefore addresses the following research question: **How do national uncertainty avoidance and individualism shape entrepreneurs' tolerance of venture failure and their choice between pivoting and exiting after failure?**

The contribution of the paper is threefold. First, it extends the national-culture literature from entrepreneurial entry and growth to the less-developed question of post-failure strategic behaviour. Second, it distinguishes pivoting from exit, recognising that both represent different responses to failure. Third, it develops a comparative cultural framework explaining why similar entrepreneurial failures may produce different strategic responses in different national environments.

2. Conceptualising Entrepreneurial Failure

Entrepreneurial failure is multidimensional. It may involve financial insolvency, inability to achieve growth objectives, loss of key customers, technological failure, regulatory difficulties, founder conflict or the voluntary discontinuation of a venture because expected returns can no longer justify continued investment. Therefore, failure should not be reduced to formal bankruptcy.

Kraus et al. (2020) demonstrate that entrepreneurial failure produces a broad range of consequences at the individual, organisational and contextual levels. Failure may generate financial losses and psychological distress, but it may also create knowledge, experience and learning that subsequently improve entrepreneurial decision-making. The significance of this perspective is that failure can simultaneously constitute an economic loss and a potential source of entrepreneurial capability.

Amankwah-Amoah et al. (2022), examining entrepreneurs in Nigeria, similarly demonstrate that previous failure can initially constitute a liability but subsequently become an asset when entrepreneurs transform experience into knowledge and capabilities. Their findings illustrate how entrepreneurs can become more resilient and develop adaptive capabilities through previous failure experiences.

Failure therefore does not mechanically determine subsequent behaviour. Instead, entrepreneurs interpret failure through cognitive, emotional and social processes. The same event may be interpreted as evidence that an entrepreneur lacks competence, as evidence that the business model is defective, as a temporary market setback, or as an opportunity to learn and reposition.

This distinction is crucial to understanding pivoting. If failure is attributed to a particular product, customer segment, distribution model or technological assumption, the entrepreneur may modify the venture while retaining its underlying entrepreneurial identity. Conversely, if failure is interpreted as evidence of personal inadequacy, social rejection or intolerable uncertainty, the entrepreneur may abandon the venture and potentially leave entrepreneurship.

3. Failure Tolerance as a Cultural Construct

Failure tolerance refers to the extent to which a social environment permits individuals and organisations to experience unsuccessful outcomes without excessive stigma, punishment or loss of future opportunity. Failure tolerance does not imply that failure is desirable. Rather, it means that failure can be interpreted as an acceptable component of experimentation and learning.

This distinction has become increasingly important in entrepreneurship research. Frese (2026) proposes the concept of **error tolerance culture**, arguing that societal tolerance for errors can facilitate entrepreneurial activity because it allows individuals to experiment and act under uncertainty. However, the author also cautions that excessive error tolerance can produce undesirable consequences. Thus, failure tolerance should not be understood as an unconditional positive cultural characteristic. Its value depends on whether failures are converted into learning, adaptation and responsible experimentation.

Cacciotti and Hayton (2017) argue that national culture can influence entrepreneurial behaviour through cognitive mechanisms, including fear of failure. Their analysis is particularly relevant because it shifts attention from culture as a simple national characteristic to culture as a mechanism influencing individual perceptions and decisions.

Failure tolerance can therefore be conceptualised as a mediating mechanism between national culture and post-failure strategic behaviour. National culture shapes how entrepreneurs interpret uncertainty and social consequences; these interpretations influence emotional responses and perceived feasibility of continuing; and these perceptions ultimately influence whether the entrepreneur pivots, persists, re-enters or exits.

4. Uncertainty Avoidance and Post-Failure Strategic Choice

Uncertainty avoidance is particularly relevant to entrepreneurial failure because entrepreneurship necessarily involves uncertain outcomes. High uncertainty-avoidance environments tend to place greater value on predictability, formal rules, stability and established procedures. Low uncertainty-avoidance environments generally provide greater acceptance of ambiguity and experimentation.

Recent comparative research supports the importance of uncertainty avoidance for entrepreneurship. A 2025 study of informal enterprises in Nigeria found that uncertainty avoidance negatively influenced entrepreneurial orientation, suggesting that stronger avoidance of uncertainty can constrain entrepreneurial experimentation in hostile environments (Okafor et al., 2025). A systematic review published in 2025 similarly identifies low uncertainty avoidance as one of the cultural characteristics generally associated with more favourable entrepreneurial activity, although the authors caution that cultural dimensions should be interpreted as a bundle rather than as isolated variables.

The implication for post-failure behaviour is significant. Pivoting inherently requires the entrepreneur to accept another period of uncertainty. A failed entrepreneur who pivots does not simply correct an existing mistake; the entrepreneur commits additional resources while the outcome remains uncertain. In high uncertainty-avoidance environments, the psychological and institutional costs associated with another uncertain experiment may therefore make exit comparatively attractive.

This argument leads to the first proposition:

Proposition 1: Higher national uncertainty avoidance is negatively associated with entrepreneurs' tolerance of venture failure and positively associated with the probability of definitive exit following venture failure.

However, uncertainty avoidance should not be interpreted as invariably producing exit. High uncertainty-avoidance environments may encourage entrepreneurs to undertake careful diagnosis, formal restructuring and controlled experimentation before deciding whether to continue. The relevant distinction is therefore between unstructured experimentation and structured adaptation. Entrepreneurs in high uncertainty-avoidance environments may pivot when the pivot can be framed as a rational, evidence-based restructuring rather than as another speculative experiment.

5. Individualism and the Interpretation of Failure

Individualism provides a different cultural mechanism. Individualistic societies place greater emphasis on autonomy, personal achievement, independence and individual responsibility. These characteristics can encourage entrepreneurial initiative because entrepreneurs are expected to exercise personal agency and pursue individual opportunities.

Evidence from cross-country research indicates that individualistic cultures are associated with stronger opportunity entrepreneurship. Morales et al. (2021) find that individualism increases opportunity entrepreneurship and that the relationship operates partly through opportunity perception and innovative capacity.

Individualism can therefore encourage entrepreneurs to respond actively to failure. An individualistic entrepreneur may interpret failure as a specific learning experience rather than as a permanent social identity. Such an interpretation can encourage experimentation with new products, markets or business models.

Nevertheless, the relationship is not unidirectional. Individualism also places greater emphasis on personal achievement and individual responsibility. Consequently, failure may be experienced as a more personal event. An entrepreneur who strongly identifies the self with venture performance may experience substantial identity threat when the venture fails.

The literature on entrepreneurial failure supports this duality. Shore et al. (2024) demonstrate that entrepreneurs can experience negative emotional responses after failure while simultaneously achieving personal growth. Failure experience therefore has psychological consequences, but these consequences do not necessarily prevent subsequent entrepreneurial activity.

This leads to the second proposition:

Proposition 2: Higher national individualism increases entrepreneurs' propensity to exercise personal agency following venture failure, thereby increasing the likelihood of entrepreneurial

re-engagement and strategic pivoting, but the effect is moderated by the perceived personal and reputational cost of failure.

6. Individualism, Collectivism and Social Support After Failure

The relationship between individualism and post-failure behaviour becomes clearer when contrasted with collectivism. In collectivist environments, social networks involving family, friends, community and professional relationships can provide important financial, emotional and informational resources.

Engel et al. (2023) found that collectivistic culture can strengthen entrepreneurial re-engagement after business failure because social networks may provide support that helps entrepreneurs overcome the economic and emotional consequences of failure. This finding challenges the simplistic proposition that individualism is universally superior for entrepreneurship.

Collectivism may therefore increase re-entry while simultaneously influencing the form of re-entry. An entrepreneur in a collectivist society may be more likely to rebuild through family-supported entrepreneurship, partnerships or collaborative ventures. However, collectivist environments can also generate reputational pressures because business failure may affect not only the individual entrepreneur but also the entrepreneur's family or social group.

Thus, collectivism can produce two opposing effects. Social support can reduce the cost of failure and facilitate another entrepreneurial attempt, whereas social stigma can increase the psychological cost of visible failure. The ultimate effect depends on whether the surrounding community interprets failure as shameful or as an acceptable entrepreneurial experience.

7. From Failure to Pivot: The Role of Cultural Tolerance for Experimentation

Pivoting represents a strategic response in which an entrepreneur substantially modifies the venture while retaining some combination of its resources, knowledge, relationships or entrepreneurial identity. A pivot can involve changing the target market, product, revenue model, distribution system, technology or value proposition.

Pivoting is therefore different from persistence. Persistence involves continuing substantially the same strategy despite adverse outcomes, whereas pivoting involves strategic adaptation based on new information. It is also different from exit because the entrepreneur remains engaged with entrepreneurial opportunity.

Recent research conceptualises pivoting as a socially and cognitively constructed process. Giansoldati et al. (2026) find that founders navigating uncertainty identify pivot opportunities through interactions with stakeholders and subsequently evaluate and adopt those opportunities through cognitive processes. This finding is especially important for the present argument because it demonstrates that pivoting requires both tolerance of uncertainty and access to social information.

Consequently, cultures characterised by lower uncertainty avoidance may create a more favourable environment for pivoting because experimentation and ambiguity are more socially

acceptable. However, individualism may determine who takes responsibility for initiating the pivot. In highly individualistic cultures, the entrepreneur may be more willing to assume personal responsibility for reconstructing the venture.

The combined effect of low uncertainty avoidance and high individualism is therefore expected to be particularly favourable to pivoting. The entrepreneur is simultaneously exposed to an environment that tolerates ambiguity and a cultural expectation of personal agency.

Proposition 3: The combination of low uncertainty avoidance and high individualism produces the strongest cultural conditions for entrepreneurial pivoting following venture failure.

8. From Failure to Exit: The Cultural Logic of Entrepreneurial Withdrawal

Exit represents a fundamentally different response. Rather than modifying the venture or creating another entrepreneurial pathway, the entrepreneur withdraws from the venture and may leave entrepreneurship altogether.

Exit should not automatically be regarded as failure. Entrepreneurs may voluntarily exit because the venture has reached its strategic limits, because the entrepreneur identifies superior opportunities elsewhere, or because the cost of continued involvement exceeds expected benefits. Nevertheless, when exit follows a failed venture, national culture can influence whether withdrawal is viewed as rational adaptation or personal defeat.

Recent international evidence directly supports the relevance of culture to exit decisions. Nasrallah Khair and Kooli (2024), using an international sample of private firms from 60 countries, found that national cultural characteristics significantly influence the choice of exit mechanisms. Their findings demonstrate that cultural factors affect how owners and entrepreneurs approach exit rather than treating exit as a culturally neutral economic decision.

For failed entrepreneurs, high uncertainty avoidance may strengthen the attraction of exit because continuing requires exposure to additional uncertainty. If the entrepreneur has already experienced a negative outcome, the perceived utility of another uncertain experiment may decline. Exit provides closure and reduces exposure to ambiguity.

Proposition 4: Higher uncertainty avoidance increases the relative attractiveness of exit over pivoting following venture failure, particularly when the perceived cost of another failed experiment is high.

9. A Comparative Cultural Analysis

9.1 United States: High Individualism and Relatively Low Uncertainty Avoidance

The United States provides a useful example of the cultural configuration in which individualism is relatively strong while uncertainty avoidance is comparatively low. Such an environment can encourage entrepreneurial experimentation, personal initiative and opportunity seeking.

For a failed entrepreneur, this combination is theoretically conducive to pivoting. Failure can be interpreted as information about the business model rather than as definitive evidence of entrepreneurial incompetence. High individualism supports personal agency, while lower uncertainty avoidance reduces the cultural pressure to seek immediate certainty.

The expected response is therefore not necessarily to abandon entrepreneurship after failure. Instead, the entrepreneur may change the product, market, customer segment or revenue model while retaining accumulated knowledge and networks.

This interpretation is consistent with the broader literature showing that individualism can support opportunity entrepreneurship and innovative behaviour (Morales et al., 2021).

Nevertheless, the United States configuration should not be romanticised. Individualistic environments can produce strong expectations of personal achievement. Consequently, failure may impose considerable psychological costs on entrepreneurs whose identities are strongly associated with achievement. Failure tolerance therefore depends not only on individualism but also on whether the entrepreneurial ecosystem treats failure as learning rather than incompetence.

9.2 Germany: High Individualism Combined With High Uncertainty Avoidance

Germany represents a contrasting cultural configuration characterised by relatively strong individualism alongside comparatively high uncertainty avoidance. This combination produces a theoretically different post-failure response from that expected in the United States.

Individualism can encourage personal initiative and entrepreneurial autonomy. However, higher uncertainty avoidance can increase the perceived costs of continuing under ambiguous conditions. The entrepreneur may therefore be willing to pivot when the new strategy can be supported by substantial evidence, structured planning and institutional legitimacy.

The likely implication is **disciplined pivoting** rather than unrestricted experimentation. A German entrepreneur may respond to failure by undertaking extensive market research, financial restructuring, technological redesign and risk analysis before launching a revised venture.

This illustrates why cultural dimensions should not be treated independently. High individualism does not necessarily lead to rapid entrepreneurial re-entry when uncertainty avoidance is also high. Rather, the two dimensions interact.

9.3 Japan: High Uncertainty Avoidance and Strong Relational Orientation

Japan provides another important configuration because high uncertainty avoidance can coexist with strong relational and group-oriented institutional traditions. Under such conditions, failure may carry substantial social and reputational consequences.

High uncertainty avoidance may discourage repeated experimentation because the entrepreneur faces a strong preference for predictability and stability. At the same time, relational networks

can potentially provide support for recovery when failure is interpreted collectively rather than individually.

The likely response is therefore selective re-entry rather than immediate pivoting. Entrepreneurs may be more inclined to pursue carefully validated opportunities, collaborative ventures or established organisational pathways rather than highly uncertain entrepreneurial experimentation.

This illustrates an important theoretical point: **uncertainty avoidance may influence the willingness to pivot, whereas collectivist or relational orientations may influence the resources available for re-entry.**

9.4 Belgium and Brazil: Contrasting Cultural Contexts Under Environmental Uncertainty

Belgium and Brazil provide a particularly useful comparison because recent empirical research has directly examined entrepreneurial orientation under environmental uncertainty in these two contexts. Verwaal et al. (2025) investigate collectivist and individualist cultural environments in Brazil and Belgium and show that environmental uncertainty interacts with cultural characteristics in shaping entrepreneurial orientation.

This comparison is relevant to post-failure behaviour because entrepreneurs do not make decisions based on cultural values in isolation. Culture interacts with the objective uncertainty of the entrepreneurial environment.

Where environmental uncertainty is high, a low-uncertainty-avoidance culture may help entrepreneurs maintain experimentation. Conversely, high uncertainty avoidance may amplify the perceived risk of continuing. The same level of market turbulence can therefore produce different strategic reactions because entrepreneurs interpret uncertainty through culturally conditioned cognitive frameworks.

9.5 Nigeria: Collective Support Within a High-Uncertainty Entrepreneurial Environment

Nigeria provides an especially valuable context for understanding the interaction between culture and entrepreneurial resilience. Entrepreneurship frequently occurs in environments characterised by institutional constraints, economic volatility and infrastructural uncertainty. Recent research on Nigerian informal enterprises found that uncertainty avoidance negatively affects entrepreneurial orientation, while collectivist tendencies can support entrepreneurial activity under difficult conditions (Okafor et al., 2025).

The Nigerian case demonstrates that collectivism should not automatically be equated with entrepreneurial passivity. Social networks can provide access to finance, labour, information and emotional support, thereby enabling entrepreneurs to recover from failure.

Amankwah-Amoah et al. (2022) provide further evidence that Nigerian entrepreneurs can convert failure experiences into resilience and capabilities for subsequent ventures.

The implication is that a Nigerian entrepreneur may respond to failure through a combination of adaptation and relational mobilisation. Rather than simply abandoning entrepreneurship, the entrepreneur may draw on family, friends, professional networks and informal institutions to establish another venture or modify the failed business model.

However, high environmental uncertainty can make repeated entrepreneurial experimentation financially costly. Thus, Nigeria illustrates why national culture must be analysed alongside institutional and economic conditions.

10. An Integrated Model of Culture, Failure and Strategic Response

The comparative analysis suggests a sequential model of post-failure entrepreneurial behaviour.

First, national culture influences the entrepreneur's interpretation of uncertainty. High uncertainty avoidance increases the psychological and social discomfort associated with ambiguous outcomes, while lower uncertainty avoidance makes experimentation more culturally acceptable.

Second, culture influences the interpretation of failure. In a failure-tolerant environment, failure can be understood as information and learning. In a highly punitive environment, failure can be interpreted as personal inadequacy or social incompetence.

Third, cultural values influence the availability and utilisation of social support. Individualistic cultures place greater emphasis on personal agency, while collectivist environments may provide stronger relational support.

Fourth, these processes influence strategic choice. When the entrepreneur perceives failure as informative and uncertainty as manageable, pivoting becomes more attractive. When failure is interpreted as definitive and uncertainty as threatening, exit becomes more attractive.

The model can therefore be represented conceptually as:

National culture → interpretation of uncertainty → interpretation of failure → failure tolerance → learning and emotional recovery → strategic response → pivot, re-entry or exit.

Individualism and uncertainty avoidance should not, however, be regarded as direct and deterministic predictors. Their effects are likely to be mediated by entrepreneurial identity, prior experience, financial resources, social networks, institutional quality, stigma, ecosystem support and the severity of the failure.

11. Theoretical Propositions

The preceding analysis generates six propositions.

Proposition 1: Higher national uncertainty avoidance increases the perceived psychological and institutional costs of entrepreneurial experimentation following failure and consequently increases the relative probability of exit.

Proposition 2: Lower national uncertainty avoidance increases tolerance for ambiguity and experimentation and consequently increases the probability of pivoting after venture failure.

Proposition 3: Higher individualism increases entrepreneurial agency and the willingness to assume personal responsibility for strategic adaptation, thereby increasing the probability of pivoting or entrepreneurial re-entry.

Proposition 4: The positive effect of individualism on post-failure re-engagement is weakened when failure generates substantial personal stigma, identity threat or reputational loss.

Proposition 5: Collectivist environments can facilitate post-failure re-entry when strong social networks provide emotional, informational and financial support, but may discourage re-entry when community norms strongly stigmatise entrepreneurial failure.

Proposition 6: The interaction between uncertainty avoidance and individualism provides a stronger explanation of post-failure strategic choice than either cultural dimension considered independently.

The sixth proposition is particularly important. A high-individualism/low-uncertainty-avoidance configuration should generally favour experimentation and pivoting. A high-individualism/high-uncertainty-avoidance configuration may favour cautious and evidence-based restructuring. A lower-individualism/lower-uncertainty-avoidance configuration may encourage collaborative experimentation, while a high-uncertainty-avoidance environment combined with strong failure stigma may produce definitive exit.

12. Discussion

The principal theoretical implication of this paper is that entrepreneurial failure should be understood as a culturally embedded process. Existing entrepreneurial failure research has demonstrated that failure can produce emotional distress, learning, resilience and subsequent entrepreneurial activity (Kraus et al., 2020; Amankwah-Amoah et al., 2022; Shore et al., 2024). The present paper extends this literature by arguing that the conversion of failure into learning and subsequent action is partly dependent on the cultural environment.

The analysis also challenges the assumption that individualism is uniformly beneficial to entrepreneurship. Individualism can encourage autonomy, opportunity recognition and personal initiative. However, it may also increase the degree to which entrepreneurs personally internalise failure. Consequently, individualism may simultaneously increase the willingness to pivot and increase the emotional consequences of failure.

Similarly, uncertainty avoidance should not be treated simply as an anti-entrepreneurial cultural dimension. High uncertainty avoidance may reduce willingness to experiment, but it can also encourage careful planning, risk analysis and structured adaptation. The effect on post-failure

behaviour therefore depends on whether the pivot itself is perceived as uncontrolled experimentation or as rational restructuring.

The paper consequently supports a more nuanced interpretation of national culture. Culture does not determine behaviour mechanically. Rather, it changes the cognitive and social conditions under which entrepreneurs evaluate alternative courses of action.

This argument is consistent with recent research showing that national culture affects entrepreneurship through multiple dimensions and that cultural dimensions often operate as bundles rather than isolated variables (Minkov et al., 2019; Alareeni et al., 2025).

13. Managerial and Policy Implications

The findings have important implications for entrepreneurship policy. Governments commonly measure entrepreneurial success by the number of businesses created. Such an approach is incomplete because healthy entrepreneurial ecosystems must also provide mechanisms for recovering from failure.

First, entrepreneurship policy should distinguish responsible failure from irresponsible failure. An entrepreneur who closes a venture because the business model is no longer viable should not necessarily face the same social and institutional consequences as an entrepreneur who engages in fraud or deliberate misconduct.

Second, governments should establish structured post-failure support systems. Such systems could include entrepreneurial recovery centres, mentoring programmes, psychological support, restructuring advice, access to finance and opportunities for second-chance entrepreneurship.

Third, policy should be culturally differentiated. In highly individualistic societies, support mechanisms may need to reduce the psychological burden of personal responsibility and failure stigma. In collectivist societies, policies can leverage existing family and community networks while preventing social expectations from becoming barriers to entrepreneurial autonomy.

Fourth, countries with high uncertainty avoidance may benefit particularly from programmes that transform uncertainty into structured experimentation. Government-backed pilot programmes, innovation grants, sandbox environments and staged financing can reduce the perceived risks associated with pivoting.

Fifth, entrepreneurship education should explicitly teach failure interpretation and recovery. Entrepreneurs should be trained not only to write business plans but also to recognise when a venture should persist, pivot or exit.

14. Directions for Future Research

The framework developed in this paper provides several opportunities for empirical testing. Future research should examine whether national uncertainty avoidance predicts actual post-failure decisions after controlling for financial loss, venture age, entrepreneurial experience and institutional quality.

A cross-national longitudinal study would be particularly valuable. Researchers could combine Global Entrepreneurship Monitor data with country-level cultural indicators and follow entrepreneurs from venture failure through subsequent strategic decisions. Multilevel modelling could then test whether individual-level characteristics interact with national culture.

Second, future research should distinguish between different forms of exit. Voluntary exit, liquidation, bankruptcy, acquisition and withdrawal from entrepreneurship may have different cultural determinants. International evidence already indicates that culture affects the choice of exit mechanisms (Nasrallah Khier & Kooli, 2024).

Third, future studies should investigate whether culture affects the **quality of pivots**, rather than merely the probability of pivoting. A culturally tolerant environment may increase experimentation, but not every pivot creates economic value.

Fourth, future research should examine how entrepreneurial ecosystems moderate national culture. Digital technologies, international networks and global venture capital may weaken the influence of national culture by exposing entrepreneurs to alternative norms regarding failure.

Finally, future studies should investigate whether error-tolerant cultures generate a nonlinear relationship between tolerance and entrepreneurial outcomes. Recent research suggests that error tolerance can stimulate entrepreneurship while simultaneously creating risks associated with excessive tolerance (Frese, 2026).

15. Conclusion

This paper has argued that entrepreneurial failure is not merely an economic event but a culturally interpreted experience. The decision to pivot or exit after venture failure is shaped by how entrepreneurs perceive uncertainty, responsibility, social support, stigma and future opportunity.

Uncertainty avoidance influences the extent to which entrepreneurs are willing to remain exposed to ambiguity after failure. High uncertainty avoidance is expected to increase the attractiveness of exit, while lower uncertainty avoidance creates a more favourable environment for experimentation and pivoting. Individualism operates differently. It can strengthen entrepreneurial agency and encourage entrepreneurs to reconstruct failed ventures, but it can also intensify personal responsibility and the emotional burden associated with failure.

The most important conclusion is therefore that there is no universally optimal cultural response to entrepreneurial failure. A low-uncertainty-avoidance, highly individualistic environment may encourage rapid experimentation and pivoting; a high-uncertainty-avoidance, highly individualistic environment may encourage disciplined restructuring; collectivist environments may facilitate re-entry through social support; and environments characterised by strong failure stigma may push entrepreneurs toward exit irrespective of their entrepreneurial capabilities.

Entrepreneurial ecosystems should consequently be designed not merely to encourage individuals to start businesses but also to help them respond intelligently when ventures fail. The capacity of an economy to tolerate, learn from and recover from entrepreneurial failure may be

as important as its capacity to create new ventures. In this sense, failure tolerance is not simply an individual trait—it is an institutional and cultural capability that can determine whether entrepreneurial failure becomes an endpoint or a pathway to renewal.

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