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HIGHER-ORDER RESTART BY SERIAL ENTREPRENEURS

Aisha Kamran Siddiqui[1*] and Rossazana Bt. Ab-Rahim[2]

[1]University of Malaysia Sarawak (UNIMAS), Malaysia. Email: 17010078@siswa.unimas.my
[2]University of Malaysia Sarawak (UNIMAS), Malaysia. Email: arrossazana@unimas.my

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Corresponding Author: Aisha Kamran Siddiqui (17010078@siswa.unimas.my)

ABSTRACT

Prior venture failure is widely recognized as a defining event in serial entrepreneurship, yet the process through which the entrepreneurial ecosystem shapes restart trajectories after failure remains theoretically underspecified. Existing scholarship has examined ecosystems as structural contexts for venture creation and has studied failure as an individual-level learning and recovery process, but these two streams have not been theoretically integrated around the transition from failure to restart. This study addresses that gap by examining how Pakistan's entrepreneurial ecosystem acts as a post-failure catalyst that filters restart options, redirects support dependence, activates adaptive reconfiguration, and shapes whether the subsequent venture achieves a higher-order, more sustainable form. Grounded theory analysis of semi-structured interviews with seven purposively selected ecosystem experts — representing institutional domains spanning incubation, small and medium enterprise policy, banking, entrepreneurship education, legal consulting, women's entrepreneurship, and serial entrepreneurship practice — generated 176 open codes, 22 axial categories, and five theoretical propositions organized under a dual ecosystem catalyst model. The findings reveal that Pakistan's ecosystem operates through two structurally distinct layers: a thin formal layer reaching approximately 15 to 20 percent of entrepreneurs, and a dense informal layer sustaining the majority through religious networks, family capital, and community trust mechanisms. After prior venture failure, these layers interact as a catalytic structure that does not merely constrain or support restart but actively filters, redirects, and transforms it. Serial entrepreneurs who navigate dual ecosystem layers through compensatory micro-ecosystem assembly and selective reconfiguration of informal support achieve higher-order restart into ventures that are more adaptive, more network-grounded, and structurally more sustainable than their failed predecessors. The study contributes a process-theoretic extension of the Institution-Based View and of entrepreneurial ecosystem theory by theorizing the dual ecosystem as an active post-failure catalyst mechanism rather than a passive environmental backdrop.

KEYWORDS: Serial Entrepreneurs, Entrepreneurial-Failure, Entrepreneurial Ecosystem, Entrepreneurial Restart, IBV.

1. INTRODUCTION

Serial entrepreneurship — the sequential founding of multiple ventures by the same individual across cycles of entry, growth, exit, and restart — generates disproportionate contributions to innovation, employment, and market development relative to first-time venture creation (Ucbasaran et al., 2013; Dabić et al., 2021). Within this phenomenon, prior venture failure is not simply an exit event. It is a structural disruption that depletes resources, reconfigures motivation, damages reputation, and forces the entrepreneur back into direct contact with the surrounding ecosystem under conditions markedly different from those of initial entry. How the ecosystem responds to that re-engagement — what it permits, blocks, redirects, and activates — determines whether the subsequent venture emerges as a fragile repetition of the prior attempt or a qualitatively superior, higher-order entrepreneurial form. In this study, higher-order restart refers to a subsequent venture that is more adaptive, more resilient, more support-aligned, and more structurally sustainable than the failed prior venture. Specifically, the ecosystem performs four catalytic functions after failure: it filters feasible restart options, redirects support dependence, activates adaptive capability development, and reshapes the design of the next venture. This transition from prior failure to restart, mediated by the ecosystem, constitutes the theoretical focus of this study.

Despite its significance, this transition has received limited direct scholarly attention. Entrepreneurial ecosystem research has established that ecosystem quality shapes entrepreneurial activity and that ecosystem elements — including finance, networks, talent, and formal institutions — function as an interdependent system (Stam & Spigel, 2017; Stam & van de Ven, 2021; Wurth et al., 2022). Yet this scholarship has concentrated on how ecosystems support initial venture creation and growth, with comparatively little theoretical work directed at what ecosystems do after ventures fail (Costa et al., 2023; Espinoza-Benavides et al., 2021). In a parallel but separate stream, failure scholarship has advanced understanding of entrepreneurial learning, grief recovery, and the motivational dynamics sustaining persistence across venture cycles (Lattacher & Wdowiak, 2020; Ucbasaran et al., 2013; Amankwah-Amoah et al., 2022). That stream has concentrated on individual-level mechanisms, leaving the ecosystem's structural role in shaping post-failure adaptation underspecified. The two streams share the serial entrepreneur as their empirical subject but have not been theoretically integrated around the failure-to-restart transition.

This gap becomes particularly consequential in institutional-void contexts, where the entrepreneurial ecosystem is not a uniform structure encountered equally by all entrepreneurs. In such contexts, the ecosystem operates as a dual structure: a thin formal layer accessible to a minority and a dense informal layer — comprising religious networks, family capital, and community trust mechanisms — sustaining the majority (Mair & Marti, 2009; Khanna & Palepu, 2010; Webb et al., 2020). For a failed entrepreneur re-engaging with this dual structure, the interaction between formal inaccessibility and informal compensation is not incidental context; it is the central mechanism through which restart trajectories are filtered, redirected, and transformed. Existing ecosystem frameworks, derived predominantly from high-performing economies, do not adequately theorize this mechanism (Malecki, 2018; Welter et al., 2019). This also raises a further question: whether failed serial entrepreneurs must remain dependent on the ecosystem as inherited, or whether they can bypass weak formal structures, shift toward more supportive channels, and selectively reconfigure available ecosystem resources for restart.

Pakistan provides a theoretically productive setting for this inquiry because post-failure restart unfolds within the combined presence of institutional voids, environmental turbulence, and dual-layer ecosystem support. Formal ecosystem resources are geographically concentrated, with 89% located across three cities, while informal mechanisms sustain the vast majority of entrepreneurial activity nationally. Against this backdrop, 63% of enterprises closed during the COVID-19 period, yet 60% of failed entrepreneurs reported intent to restart (GEM-NECI, 2020; SMEDA, ADB, & APO, 2021). The conditions mediating that gap — between failure and the quality of the venture that ultimately emerges — constitute the empirical terrain this study examines. The co-existence of formal inadequacy and robust informal resilience makes Pakistan a theoretically productive site for generating propositions applicable across comparable institutional-void contexts in emerging markets (Roundy et al., 2018; Bruton et al., 2008).

Serial entrepreneurs occupy a particularly revealing analytical position within this setting. Because they have traversed multiple full venture cycles, their trajectories expose ecosystem adequacy or inadequacy across the complete arc of entry, distress, exit, and restart — not only at the growth stage that ecosystem research has disproportionately

examined. Ecosystem experts — institutional actors positioned to observe patterns across many entrepreneur trajectories simultaneously — offer a systemic diagnostic vantage point that individual entrepreneur narratives cannot fully supply. An incubation director, an SME banking specialist, a policy architect, and a legal consultant each observe the ecosystem from a distinct institutional position, and their convergent testimony provides triangulated evidence of ecosystem-level mechanisms rather than individual-level variation (Charmaz, 2014; Corbin & Strauss, 2015). This study draws on grounded theory analysis of seven such experts to construct a process-theoretic account of how Pakistan's dual ecosystem acts as a post-failure catalyst between prior venture failure and serial entrepreneurship restart.

This study makes three theoretical contributions. First, it reconceptualizes the entrepreneurial ecosystem as a post-failure catalyst rather than a passive background condition. Second, it explains how dual ecosystem structures filter and redirect restart pathways under institutional voids and environmental turbulence. Third, it shows how serial entrepreneurs bypass, shift, and selectively reconfigure ecosystem dependence to achieve stronger and more sustainable restart outcomes. The remainder of this article proceeds as follows. The literature review develops the theoretical foundations across entrepreneurial ecosystem theory, the Institution-Based View, environmental turbulence, and serial entrepreneurship in emerging markets. The methodology section details the grounded theory design, sampling strategy, data collection procedures, and analytical approach. The data analysis and results section present the five theoretical propositions with supporting expert evidence organized in Tables 2 and 3. The discussion develops the conceptual model presented in Figure 1 and addresses theoretical implications. The conclusion addresses contributions, limitations, and directions for future research.

2. LITERATURE REVIEW

Entrepreneurial Ecosystems Beyond Venture Emergence: The entrepreneurial ecosystem concept emerged as a response to the recognized inadequacy of individual-level explanations of entrepreneurial activity. Stam and Spigel (2017) define the ecosystem as a set of interdependent actors and factors coordinated to enable productive entrepreneurship, distinguishing framework conditions — including formal institutions, infrastructure, and market demand — from systemic conditions, including networks, leadership, finance, talent, and knowledge. The central insight of this framework is that entrepreneurship is substantially shaped by the quality and accessibility of the surrounding environment, not merely by individual characteristics or firm-level resources (Spigel, 2017; Autio et al., 2018). Stam and van de Ven (2021) extended this foundation by identifying the specific elements and interdependence mechanisms through which ecosystems produce entrepreneurial output, grounding the concept more precisely in a systems logic rather than a simple inventory of regional assets.

Subsequent scholarship developed the framework across several dimensions. Audretsch and Belitski (2017) demonstrated that ecosystem quality affects regional entrepreneurial activity and growth rates, while Roundy et al. (2018) applied complexity theory to argue that ecosystems exhibit non-linear dynamics and path-dependent trajectories. Wurth et al. (2022) examined how ecosystem narratives shape actor expectations and collective identity, extending ecosystem theory beyond structural elements to include the cognitive and discursive conditions through which ecosystem actors make sense of their environment. Spigel and Harrison (2018) contributed a process view of ecosystem development, arguing that ecosystem health depends not only on the presence of elements but on how they circulate and reproduce across entrepreneur generations. This recycling logic — wherein knowledge, capital, and talent flow through the ecosystem following exits and re-entries — implies that ecosystem functionality is partly determined by how it handles the aftermath of venture failure rather than only how it supports initial creation.

Despite these advances, most empirical ecosystem research has concentrated on thriving ecosystems in developed economies, leaving nascent, fragmented, or institutional-void ecosystems substantially undertheorized (Malecki, 2018; Welter et al., 2019). More consequentially for this study, the ecosystem literature has examined what ecosystems do during venture emergence and growth but has paid limited theoretical attention to what ecosystems do after ventures fail. The mechanisms through which ecosystems filter, redirect, or transform restart attempts — and whether ecosystems function as catalysts or barriers during that transition — remain an underspecified area in ecosystem theory.

Venture Failure, Restart, and Serial Entrepreneurship: Serial entrepreneurship scholarship has concentrated primarily on learning,

experience transfer, and performance trajectories across venture cycles. Ucbasaran et al. (2013) demonstrated that prior exit experience shapes cognitive capabilities and subsequent venture strategy, while Wennberg et al. (2010) showed that exit mode — whether voluntary harvest, distress, or forced closure — predicts the form and speed of subsequent re-entry. Dabić et al. (2021) called for more contextually grounded research on serial entrepreneurship that accounts for the institutional environments within which repeated venture creation occurs, observing that most serial entrepreneurship theory reflects stable

Western environments inadequately applicable to high-uncertainty contexts: Within failure scholarship specifically, prior work has identified three dominant explanations for why serial entrepreneurs restart after failure. The first is necessity-driven: limited formal employment alternatives, particularly in emerging markets, push individuals toward repeated venture creation as a survival strategy rather than a discretionary choice (Welter et al., 2019). The second is learning-driven: failure provides experiential information unavailable through other means, and serial entrepreneurs who process that information systematically exhibit improved performance in subsequent ventures (Lattacher & Wdowiak, 2020; Bae et al., 2025). The third is identity-driven: entrepreneurial identity, sustained through community membership, family expectations, and cultural-religious norms, maintains motivation during periods of material failure when rational calculation alone would predict exit from entrepreneurship (Guerrero & Walsh, 2024; Shabbir et al., 2021). In emerging market contexts specifically, Amankwah-Amoah et al. (2022) identified a three-stage failure-to-restart process in Nigeria wherein failure shifts from liability to asset across recovery, reform, and re-entry, with economic hardship and social stigma paradoxically motivating continued entrepreneurial engagement under institutional void conditions.

In emerging markets, serial entrepreneurship trajectories are further shaped by necessity-driven motivations, family resource mobilization, informal network reliance, and cultural-religious factors that intersect with limited formal support to produce patterns that Western-derived theory inadequately captures (Welter et al., 2019; Rashid & Ratten, 2022). These trajectories expose a shared limitation in the failure and serial entrepreneurship literatures: both streams have concentrated on individual-level mechanisms — learning, identity, motivation, and capital recycling — without theorizing how the surrounding ecosystem structures the transition from failure to restart.

Institutional Voids, Environmental Turbulence, and Dual Support Structures: The Institution-Based View holds that formal and informal institutional environments fundamentally shape entrepreneurial opportunities, strategies, and outcomes (Peng et al., 2008; North, 1990). Institutional voids — the absence or weakness of market-supporting institutions taken for granted in advanced economies — create the conditions under which the relationship between entrepreneurs and the ecosystem diverges sharply from models developed in developed-economy settings (Mair & Marti, 2009; Khanna & Palepu, 2010). In void conditions, informal institutions — comprising norms, community networks, religious trust mechanisms, and family governance structures — substitute for, rather than merely complement, formal ones (Webb et al., 2020; Sydow et al., 2022). This substitution creates a dual ecosystem structure in which two qualitatively different support layers operate in parallel, serving qualitatively different populations and performing qualitatively different functions.

Environmental turbulence compounds this structural problem in a specific way. Turbulence refers to rapid, frequent, and unpredictable changes in the competitive, regulatory, technological, and sociopolitical environment (McCarthy et al., 2018; Dess & Beard, 1984). When institutional voids and environmental turbulence are examined together rather than in isolation, their interaction proves multiplicative rather than additive. Voids create baseline operational dysfunction, while turbulence simultaneously prevents the systematic institutional development that would address those voids. Policy continuity, investment in institutional capacity, and long-term regulatory reform all require the stability that turbulence actively undermines (Peng et al., 2021; McCarthy et al., 2018). The result is a self-reinforcing configuration in which voids become more persistent and more damaging under turbulent conditions than either factor alone would produce. For a failed entrepreneur attempting restart in this configuration, the challenge is not merely to access ecosystem support but to do so at the moment when voids are deepest and turbulence is disrupting the informal mechanisms that ordinarily compensate for those voids.

The dual-structure reality has important implications for how restart filtering operates. Formal ecosystem resources are structurally inaccessible to the majority of entrepreneurs in void-characterized contexts, particularly those who have

experienced failure (Espinoza-Benavides et al., 2021; Audretsch et al., 2021). Informal mechanisms remain accessible but impose their own selection criteria based on network membership, sectoral reputation, and gender norms. Uriarte et al. (2023) demonstrated across 49 economies that collectivist cultural institutions are significantly more consequential for post-failure re-engagement than formal government re-entry support, reinforcing that the informal ecosystem layer is the operative catalyst for most restart attempts in institutional-void contexts. What this literature has not yet specified is the process through which these two layers interact to produce different restart outcomes, and whether failed entrepreneurs can strategically reconfigure their ecosystem dependence rather than accepting the support structure as given.

Toward a Post-Failure Catalytic View of the Entrepreneurial Ecosystem: Existing ecosystem theory has largely conceptualized the ecosystem as a context — a structural environment within which entrepreneurial activity occurs and whose quality shapes the probability and form of venture creation (Stam & Spigel, 2017; Wurth et al., 2022; Malecki, 2018). Even scholarship that examines ecosystem evolution, path dependence, and narrative formation treats the ecosystem as the setting within which entrepreneurs act, rather than as an active mechanism performing specific functions on specific types of entrepreneurial transitions.

Failure and restart scholarship has concentrated on the entrepreneur as the unit of analysis and change. Learning from failure is conceptualized as a cognitive process occurring within the individual (Lattacher & Wdowiak, 2020; Iqbal et al., 2025); persistence is explained by psychological capital, identity, or motivation (Guerrero & Walsh, 2024; Ucbasaran et al., 2013); restart decisions are modelled as functions of risk aversion, opportunity perception, and accumulated capital (Zhou et al., 2025; Costa et al., 2023). Even studies that acknowledge ecosystem conditions as moderators of re-entry treat those conditions as contextual variables affecting individual-level outcomes rather than as mechanisms performing distinct functions in the transition process.

The missing theoretical link is how the ecosystem mediates the movement from failure to restart — not merely as context that permits or discourages re-entry but as an active structure that filters which restart options are available, redirects the locus of support dependence, forces or enables adaptive capability reconfiguration, and shapes the design of the subsequent venture. Espinoza-Benavides et al. (2021) provided the closest empirical evidence of this mediating role, demonstrating across 54 economies that ecosystem informal conditions and social capital determine re-entry type and quality more powerfully than formal conditions do. Walsh et al. (2023) documented the ecosystem recycling mechanism through which knowledge, capital, and relationships circulate following exits, implying that how the ecosystem absorbs failed ventures determines what resources are available for subsequent attempts. Spigel and Vinodrai (2021) showed that institutional capacity shapes how failure events translate into ecosystem-mediated recycling dynamics.

Accordingly, this study conceptualizes the entrepreneurial ecosystem not as passive background but as an active post-failure catalytic structure that shapes strategic re-entry pathways, adaptive capability formation, and the possibility of emergence of higher-order venture sustainability.

Taken together, these literature streams reveal a shared limitation. Entrepreneurial ecosystem research explains how ecosystems support venture emergence and development, while failure and serial entrepreneurship research explains how entrepreneurs learn, persist, and re-enter after setbacks. However, neither stream adequately theorizes how the ecosystem structures the transition from prior venture failure to restart, particularly in institutional-void contexts where formal and informal support mechanisms differ sharply in accessibility and function. This study addresses that gap by conceptualizing the entrepreneurial ecosystem as a post-failure catalyst that filters restart options, redirects support dependence, activates adaptive capability development, and shapes whether restart culminates in a stronger higher-order venture.

3. METHODOLOGY

3.1. Research Design

The preceding literature review identified a theoretical gap that existing frameworks cannot close through deductive extension alone: the process through which the entrepreneurial ecosystem mediates the transition from prior venture failure to higher-order restart has not been theorized empirically, particularly in institutional-void contexts. Generating theoretical propositions about a process that lacks an adequate existing model is precisely the condition for which grounded theory methodology was designed (Glaser & Strauss, 1967; Corbin & Strauss, 2015). Grounded theory is appropriate when the phenomenon under investigation is insufficiently explained by existing

theory and when the research aim is to generate rather than test propositions about how and why a social process unfolds (Charmaz, 2014). This study accordingly adopts a qualitative grounded theory design following Straussian and constructivist principles, which combine systematic coding procedures with sensitivity to context and interpretive meaning (Strauss & Corbin, 1998; Charmaz, 2014).

A pragmatic philosophical stance guides methodological choices, acknowledging that social processes such as ecosystem-mediated restart produce multiple valid interpretations depending on the institutional vantage point from which they are observed, while maintaining the practical orientation needed to generate propositions with analytical utility for comparable institutional-void contexts (Morgan, 2014; Saunders et al., 2019). Abductive reasoning enables iterative movement between empirical observations and theoretical frameworks, allowing emergent insights to prompt framework refinement while sustaining connection to established theoretical traditions including the Institution-Based View and entrepreneurial ecosystem theory (Narayanan et al., 2021).

3.2. Participant Selection and Theoretical Rationale

Seven ecosystem experts were selected through purposive sampling following maximum variation logic across institutional domain, organizational function, and expertise type. Table 1 presents the expert profiles.

Table 1: Expert Participant Profiles.

Expert Code	Domain	Organization Type	City	Experience
E1	Incubation and startup support	National Incubation Centre	Karachi	15+ years
E2	SME development and policy	SMEDA	Lahore	20+ years
E3	Entrepreneurship education	University / National Incubation Centre	Lahore	18+ years
E4	SME banking and finance	Bank of Punjab	Lahore	22+ years
E5	Women's entrepreneurship	Lahore Chamber of Commerce and Industry	Lahore	12+ years
E6	Serial entrepreneurship practice	Private business consultancy / NIC	Islamabad	25+ years
E7	Legal and policy consulting	Strategic business advisory	Lahore	20+ years

The choice of ecosystem experts rather than individual failed entrepreneurs is theoretically deliberate and directly aligned with the study's research question. This study examines ecosystem catalytic mechanisms — how the ecosystem as a structure filters, redirects, and transforms restart trajectories — not only the subjective failure experiences of individual entrepreneurs. Ecosystem experts are the analytically appropriate informants because their institutional positions give them direct observational access to patterns across many serial entrepreneur trajectories simultaneously, rather than to a single personal experience. Each expert has, across their career, maintained continuous contact with serial entrepreneurs from their very first venture creation through subsequent exits and restarts — drawing on cumulative institutional records, advisory relationships, and program outcome data — giving them longitudinal knowledge of how the ecosystem responds to failure at the system level. Their combined vantage points — across financing, incubation, policy, legal consulting, gender programming, and serial entrepreneurship practice — allow observation of how post-failure restart pathways are enabled, blocked, redirected, or supported through each of the ecosystem's key functional layers. Experts were selected because the study examines ecosystem catalytic mechanisms, not only personal failure experiences. Their cross-institutional vantage points allow observation of how post-failure restart pathways are enabled, blocked, redirected, or supported across multiple serial entrepreneurs simultaneously.

Theoretical sampling guided the sequence of interviews. Coding from earlier interviews informed subsequent interview protocols to ensure that emerging categories were adequately explored across different institutional domains. The saturation pattern confirmed the appropriateness of the sample: E4 and E1 generated 45–52 new open codes respectively, reflecting high novelty from the banking and incubation perspectives that first encounter failure and restart; E2 and E3 generated 18–25 new codes; E6 and E7 generated 8–12 new codes; and E5 generated only 2–4 new codes, signalling saturation.

3.3. Data Collection

Semi-structured interviews were conducted via Zoom between December 2022 and March 2023. Interview duration ranged from 75 to 120 minutes. The interview protocol targeted ecosystem structure, institutional void characteristics, turbulence dimensions, formal and informal support mechanisms, post-failure restart patterns, financing

ecosystem access, and temporal ecosystem evolution. Pilot testing with two academic reviewers verified content validity and cultural appropriateness before fieldwork commenced. Interviews were conducted in English and Urdu, with Urdu segments professionally translated and back-translated to ensure linguistic and conceptual accuracy. All interviews were recorded with participant consent and transcribed using Transcription automated transcription software, with researcher review of a 10% transcript sample confirming 95% accuracy. Documentary triangulation through publicly available ecosystem reports, government program documentation, and institutional websites provided objective verification of interview claims regarding program reach, financing volumes, and ecosystem infrastructure.

3.4. Analytic Procedure

Analysis followed a systematic multi-level grounded theory coding process using NVivo 15, the results of which are summarized in Table 2 (see Data Analysis and Results section). Open coding produced 176 codes across the seven expert transcripts. Axial coding organized these into 22 categories structured around conditions, strategies, and consequences of ecosystem engagement after failure. Selective coding produced 10 core constructs, and thematic integration yielded three overarching themes — Formal Institutions, Informal Institutions, and Entrepreneurial Agency and Adaptation — which theoretical coding integrated into five propositions. The coding procedure followed the constant comparative method, with emerging categories assessed against each new transcript to test consistency and boundary conditions (Strauss & Corbin, 1998; Corbin & Strauss, 2015). Abductive cycles alternated between empirical analysis and theoretical reflection, allowing the post-failure catalyst conceptualization to emerge from convergent patterns across multiple expert domains rather than being imposed on the data.

3.5. Rigor And Boundary Conditions

Multiple quality criteria were applied to ensure the credibility and dependability of the findings. Inter-rater reliability was established through independent second-coder analysis of a selected subset of transcripts, achieving Cohen's kappa of 0.88, indicating near-perfect agreement (Landis & Koch, 1977). Member checking was conducted by sharing a written summary of themes and propositions with three of the seven experts, achieving 85% agreement with the identified patterns. Negative case analysis systematically incorporated disconfirming evidence — particularly regarding the reach and effectiveness of formal ecosystem components — to prevent confirmation bias and strengthen proposition specificity. Analytical memos documented interpretive decisions throughout the coding process, providing an audit trail linking raw data to theoretical claims.

Two boundary conditions should be noted. First, the expert sample provides systemic, pattern-level diagnosis of ecosystem catalytic functions but does not capture the subjective entrepreneurial experience of navigating that process from within a single venture trajectory. Second, all seven experts are institutionally affiliated with Lahore, Karachi, or Islamabad, which means the propositions reflect ecosystem conditions in Pakistan's three primary urban hubs.

4. DATA ANALYSIS AND RESULTS

Systematic multi-level coding of 176 open codes through axial, selective, and theoretical levels generated five theoretical propositions organized under three thematic areas: Formal Institutions, Informal Institutions, and Entrepreneurial Agency and Adaptation. Table 2 presents the coding summary statistics derived from the seven expert transcripts.

Table 2: Grounded Theory Coding Summary.

Coding Level	Output	Count	Saturation Point
Open coding	Open codes across 7 expert transcripts	176	E5 (2–4 new codes)
Axial coding	Categories organized by conditions, strategies, consequences	22	—
Selective coding	Core constructs	10	—
Thematic integration	Overarching themes	3	—
Theoretical coding	Theoretical propositions	5	—

Table 3 presents the five propositions with their supporting expert evidence. Together, the propositions constitute an empirically grounded process account of how Pakistan's dual ecosystem acts as a post-failure catalyst that filters restart options, redirects support dependence, activates adaptive capability development, and shapes whether serial entrepreneurs achieve higher-order restart into more sustainable subsequent ventures.

Table 3: Theoretical Propositions and Expert Evidence.

Proposition	Statement	Expert Evidence Sources	Key Evidence
P1: Informal Compensation Mechanism	Informal institutions substitute for formal voids, enabling serial entrepreneurship despite chronic formal support deficits	E2, E4, E7, E5	E2: "70% to 80% of entrepreneurs rely primarily on religious or ethnic networks rather than formal institutional support"; Shia networks achieving 97% business recovery rates (E2); family providing 80% of seed capital (E4)
P2: Dual Ecosystem Structure	Pakistan's ecosystem exhibits a dual structure wherein informal institutions govern the majority while formal structures serve a stratified minority	E1, E2, E3, E4, E5	Seven National Incubation Centres reaching 15–20% of entrepreneurs (E1); 89% of formal resources concentrated in three cities (E1, E3); VC exceeding USD 320M with 90–95% foreign origin (E1)
P3: Void-Turbulence Multiplicative Interaction	Institutional voids and environmental turbulence interact multiplicatively, creating combined constraints exponentially greater than either alone	E1, E3, E4, E6, E7	E1: "permanent crisis mode where political upheaval, security threats, economic shocks, and regulatory changes create planning an impossibility"; E6 personal USD 20 million loss from currency devaluation; currency averaging 20% annual devaluation (E3)
P4: Constraint-Based Innovation Capability	Serial entrepreneurs develop constraint-based innovation capabilities transforming persistent constraints into competitive advantages	E6, E4, E2, E7, E1	Sector-pivoting and network-leveraging as restart strategies (E6, E4); Jugaar-based improvisational problem-solving (E7); quasi-informal credit channels via long-term banking relationships (E4); ecosystem capital accumulation through incubation engagement (E1)
P5: Multi-Causal Persistence	Serial entrepreneurship persists through complementary mechanisms — necessity, opportunity, culture, and learning — not any single cause	E4, E1, E6, E5, E7, E2	Limited formal employment alternatives driving necessity (E4, E1); crisis as opportunity orientation (E6); Islamic values sustaining motivation (E2); family and community reputation expectations sustaining continuation (E5, E7)

4.1. Thematic Area One

The Dual Ecosystem as a Restart Filter: The first catalytic function the ecosystem performs after prior venture failure is restart filtering — the process through which the ecosystem determines which restart options are structurally available to the failed entrepreneur and which are not. Propositions 1 and 2 together account for this filtering mechanism by specifying the dual structure through which it operates (see Table 3).

Expert testimony across all seven institutional domains independently identified an ecosystem in which informal mechanisms perform functions that formal institutions are structurally unable to discharge for the majority of entrepreneurs. E2 stated that "70% to 80% of entrepreneurs rely primarily on religious or ethnic networks rather than formal institutional support," a pattern E4 corroborated from the banking side by observing that family and community connections are more consequential than banks or government schemes for most early-stage founders. This finding is not simply quantitative but structural: after prior venture failure, the failed entrepreneur encounters the formal ecosystem as one that actively filters them out. Formal financing schemes require collateral that failure has depleted. Incubation programs select for credential profiles and sector orientation — predominantly technology — that most serial entrepreneurs do not possess. E1 reported that the seven National Incubation Centres operating nationally collectively support a minimal fraction of Pakistan's 3.3 million registered small and medium enterprises, with 89% of those resources geographically concentrated in Karachi, Lahore, and Islamabad (see Proposition 2, Table 3). Venture capital activity exceeds USD 320 million but draws 90–95% of its capital from foreign investors, exposing the ecosystem to currency and regulatory disruptions that periodically close this channel entirely (E1).

What the formal ecosystem filters out, the informal ecosystem absorbs — but selectively and on its own terms. E2 documented that Shia business networks achieve 97% business recovery rates for community members experiencing venture failures through pooled financing, reputational guarantees, and reciprocal customer referrals operating as collective risk-sharing mechanisms. Family networks provide approximately 80% of seed capital for restart attempts, supply trusted labour through family employment, and extend social guarantees that substitute for formal credit checks (E4). E5 documented the partial emergence of a third ecosystem layer comprising women-only programs, online platforms, and gender-segregated networks that represent a compensatory response to double

exclusion from both formal and informal mainstream channels. E7 described Jugaar — a culturally embedded improvisational problem-solving practice — as a capability enabling entrepreneurs to maintain operational continuity when formal infrastructure fails. Proposition 1 and Proposition 2 together establish that restart filtering is a structural function of Pakistan's dual ecosystem, not a random gatekeeping effect, and that the filtering criteria embedded in each layer produce stratified restart access rather than universally available second chances.

4.2. Thematic Area Two

Voids, Turbulence, and Redirected Support Dependence: The second catalytic function the ecosystem performs after failure is support redirection — the process through which the combined pressure of institutional voids and environmental turbulence forces failed serial entrepreneurs to shift their dependence from one ecosystem layer to another, or from inherited support structures to selectively assembled compensatory ones. Proposition 3 specifies the mechanism driving this redirection (see Table 3).

Expert testimony converged on the multiplicative nature of the void-turbulence interaction from multiple independent institutional vantage points. E1 characterized Pakistan's business environment as existing in "permanent crisis mode where political upheaval, security threats, economic shocks, and regulatory changes create planning an impossibility," identifying the specific mechanism through which turbulence amplifies voids: it prevents the systematic institutional development that would otherwise address them over time. E3 observed that currency devaluation averaging 20% annually destroys import-dependent business models while inflation simultaneously erodes consumer purchasing power, compounding the impact of regulatory voids on business planning. E6 documented personal losses of USD 20 million attributed directly to currency devaluation, while simultaneously identifying that the same volatility created arbitrage opportunities in sectors less exposed to import dependence. E7 traced how political crises in 2007–2008 and 2022 destabilized the formal institutional environment through which void-filling could otherwise occur, making dysfunction more persistent across venture cycles.

The multiplicative mechanism operates through a specific process logic relevant to post-failure restart. When formal ecosystem channels are disrupted by turbulence precisely when a failed entrepreneur most needs them — during the capital-scarce, reputation-damaged period immediately following failure — the entrepreneur cannot wait for formal channel restoration. This timing compulsion forces active redirection of support dependence toward whatever informal channels remain accessible. Proposition 3 therefore supports the argument that void-turbulence multiplicative interaction is not merely an obstacle to restart but a catalyst that actively sorts failed entrepreneurs into different restart pathway types based on their pre-existing informal ecosystem position.

4.3. Thematic Area Three

Adaptive Reconfiguration and Higher-Order Restart: The third and fourth catalytic functions — forced adaptive capability development and restart design transformation — are addressed by Propositions 4 and 5 together (see Table 3). These propositions specify what changes in the entrepreneur through ecosystem-mediated engagement after failure, and why those changes accumulate into the capability profile that higher-order restart requires.

Expert accounts with direct observational access to multiple serial entrepreneur trajectories documented specific capability patterns emerging from repeated navigation of Pakistan's constrained ecosystem. E6, drawing on advisory work and personal serial entrepreneurial experience, observed that repeated exposure to economic volatility generated sector-pivoting capability, supply chain flexibility, and opportunity recognition skills specifically attuned to constraint-rich environments. E4 noted that serial entrepreneurs maintaining long-term banking relationships develop quasi-informal credit access that effectively converts network capital accumulated across venture cycles into financial access unavailable to first-time restart entrepreneurs. E7 observed that legal and regulatory complexity, while burdensome, generates navigation expertise in serial entrepreneurs constituting a barrier to entry for less experienced competitors. E1 identified that entrepreneurs engaging effectively with incubation programs develop ecosystem capital — comprising relationships, reputation, and validated credentials — that accelerates restart after exit and provides leverage for subsequent venture funding.

Jugaar — the culturally embedded improvisational problem-solving practice documented by E7 — emerges not as a pre-existing trait but as a capability that the ecosystem's constraints actively develop through repeated application. Entrepreneurs who have encountered

formal infrastructure failure across multiple venture cycles learn to assemble operational solutions from available informal resources rather than waiting for formal systems to function. This adaptive reconfiguration capability — bypassing weak formal structures, shifting toward more supportive channels, and selectively reassembling available ecosystem resources — distinguishes entrepreneurs who achieve higher-order restart from those who merely repeat the design of the failed prior venture.

Proposition 5 addresses the multi-causal structure through which persistence is sustained long enough for adaptive capability to accumulate. E4 and E1 independently identified that limited formal employment alternatives drive necessity-based entrepreneurial continuation. E6 identified the opportunity dimension, observing that experienced entrepreneurs perceive ecosystem constraints as sources of arbitrage rather than barriers, maintaining entrepreneurial engagement through opportunity orientation even after significant losses. E5 and E7 documented that family business traditions, community reputation considerations, and generational expectations create social pressure toward continued entrepreneurial activity operating independently of economic calculation. E2 emphasized the religious dimension, observing that Islamic values around honest trade, self-sufficiency, and community wealth circulation provide normative support sustaining motivation through periods when neither formal nor informal ecosystem support is adequate. Proposition 5 establishes that these mechanisms are complements rather than alternatives — their combined action produces persistence levels that none would sustain individually.

5. DISCUSSION

The five propositions generated from expert grounded theory analysis collectively support a reframing of the entrepreneurial ecosystem's theoretical role: not as a static context within which serial entrepreneurs operate, but as an active catalytic structure that mediates the transition from prior venture failure to higher-order restart. Figure 1 presents the conceptual model derived from the analysis, depicting the five-step process from prior failure through ecosystem encounter, the dual ecosystem's catalytic functions, and the differentiated restart outcome types. This discussion develops three interconnected theoretical arguments. First, it examines what the dual ecosystem structure means for how restart filtering should be theorized. Second, it addresses how the void-turbulence multiplicative interaction and its consequences for support redirection revise prevailing models in institutional entrepreneurship scholarship. Third, it positions constraint-based innovation capability and multi-causal persistence as the micro-level mechanisms through which ecosystem-mediated adaptation accumulates into higher-order restart. The section closes by addressing the bypass, shift, and reconfigure thesis that the introduction and literature review identified as a central theoretical question.

The model depicts the five-step process through which prior venture failure triggers ecosystem encounter, the dual ecosystem performs four catalytic functions (restart filtering, redirected support dependence, adaptive capability activation, and restart design transformation), and serial entrepreneurs achieve differentiated restart outcomes ranging from delayed and weak restart to higher-order sustainable restart. Grounded in expert interviews E1–E7, 176 open codes, and five theoretical propositions. Extends Stam and Spigel (2017) and the Institution-Based View (Peng et al., 2008).

Reconceptualizing the Ecosystem as a Post-Failure Catalytic Structure: Stam and Spigel (2017) define the entrepreneurial ecosystem as a set of interdependent actors and factors coordinated to enable productive entrepreneurship, a framework that has substantially advanced understanding of why some regions generate more entrepreneurial activity than others. Subsequent scholarship has refined this framework by examining how ecosystem narratives shape expectations (Wurth et al., 2022), how ecosystem elements interdepend systemically (Stam & van de Ven, 2021), and how resources, knowledge, and talent recycle through the ecosystem following entrepreneurial exits (Walsh et al., 2023; Spigel & Vinodrai, 2021).

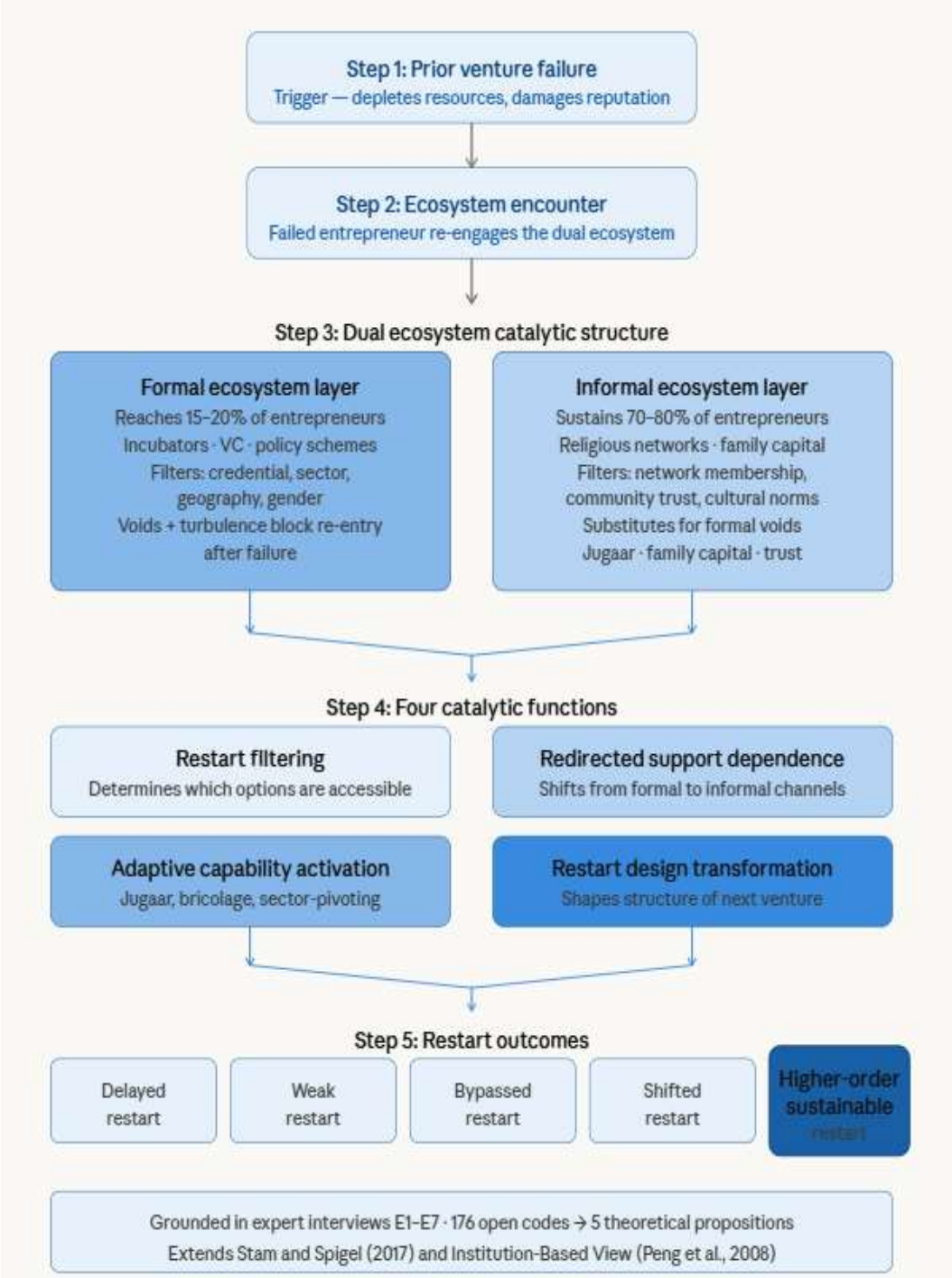

Figure 1: Conceptual Model of the Dual Ecosystem as Post-Failure Catalyst for Higher-Order Restart.

Propositions 1 and 2, as presented in Table 3, together demonstrate that Pakistan's ecosystem does not simply provide more or less support to all entrepreneurs equally. It performs a structured filtering function through its dual-layer architecture. The formal layer filters by credential, sector, geography, and gender. The informal layer filters by network membership, community reputation, and cultural belonging. Neither filter is neutral, and they interact to produce stratified restart access that advantages already-advantaged entrepreneurs and compounds the disadvantage of those whose failure has depleted the very resources that both layers use as selection criteria. Espinoza-Benavides et al. (2021) demonstrated empirically that informal ecosystem conditions and social capital are more consequential for re-entry than formal conditions across 54 economies, but their cross-national quantitative

design did not identify the structural filtering mechanism or the dual-layer logic through which this operates. The current study specifies that mechanism.

This finding also extends the Khanna and Palepu (2010) institutional voids framework beyond its original application. That framework proposed that voids create spaces for entrepreneurial arbitrage and that experienced entrepreneurs can exploit voids as opportunities through network capital and accumulated knowledge. The present study qualifies this proposition by showing that post-failure entrepreneurs encounter voids under conditions that are categorically different from pre-failure conditions. The resource depletion, reputational damage, and network disruption that failure produces specifically degrade the capabilities through which void navigation is otherwise achieved, making the post-failure period the moment of maximum institutional vulnerability rather than the moment when accumulated void-navigation experience is most deployable.

Void-Turbulence Interaction and the Redirection of Support Dependence: Existing scholarship has treated institutional voids and environmental turbulence as conceptually distinct constructs. Proposition 3 in Table 3 contributes not simply confirmation that both forces constrain entrepreneurship, but specification of the interaction mechanism through which they combine to produce outcomes categorically more severe than either alone or through which they redirect the locus of entrepreneurial support dependence after failure.

The multiplicative mechanism operates through a specific institutional logic. Voids create baseline operational dysfunction. Turbulence prevents the systematic institutional development — policy continuity, regulatory reform, and infrastructure investment — that would otherwise reduce voids over time. Each turbulence event resets the institutional environment, invalidating accumulated regulatory knowledge, disrupting banking relationships, and forcing serial entrepreneurs to rebuild informal network capital from a degraded position. This dynamic is consistent with Sydow et al.'s (2022) finding that entrepreneurs in Kenya develop workaround practices specifically to navigate severe institutional voids, but extends that finding by demonstrating that turbulence actively undermines the stability of those workarounds, forcing continuous reconfiguration rather than a stable alternative to formal institutions.

The redirection of support dependence that follows from this interaction is a theoretically consequential finding. When formal channels are disrupted at the moment of failure and informal mechanisms are simultaneously destabilized by turbulence, the entrepreneur is forced to shift support dependence toward selectively assembled compensatory mechanisms — long-term banking relationships, community networks insulated from political volatility, and sector-specific knowledge less exposed to currency risk. Amankwah-Amoah et al. (2022), studying serial entrepreneurs in Nigeria, identified a three-stage failure-to-restart process, but their analysis did not identify the ecosystem-level mechanism driving that transition. The current study's Proposition 3 specifies that the mechanism is ecosystem-forced support redirection under void-turbulence interaction.

Constraint-Based Innovation, Micro-Ecosystem Assembly, and Higher-Order Restart: Propositions 4 and 5 address the entrepreneur-level mechanisms through which ecosystem-mediated adaptation accumulates into higher-order restart, placing this study in direct dialogue with bricolage scholarship, adaptive capability theory, and the emerging literature on entrepreneurial recycling.

Baker and Nelson's (2005) foundational bricolage framework defines entrepreneurial bricolage as "making do" by combining available resources for new purposes under constraint. The Jugaar-based improvisational problem-solving documented by E7 in this study is a culturally specific instantiation of bricolage that develops specifically through repeated ecosystem engagement under void and turbulence conditions rather than being present as a pre-existing entrepreneurial trait. This extends Yu et al.'s (2025) recent finding that learning from failure strengthens bricolage's role in driving disruptive innovation under institutional voids in China, by specifying the ecosystem-level process through which failure-based bricolage capability develops.

The concept of ecosystem capital — the relationships, reputation, and validated credentials that accumulate through incubation engagement across venture cycles — introduces a specific mechanism through which the ecosystem actively shapes higher-order restart. Walsh et al. (2023) documented the boomerang entrepreneur phenomenon in Ireland, showing that entrepreneurs who cycle through employment and re-entry transfer knowledge through the ecosystem. Gomezel and Stritar (2024) defined entrepreneurial recycling as the transformation of human, social, organizational, and financial capital throughout the entrepreneurial lifecycle. The current study extends both contributions by showing that in institutional-void

dual ecosystems, recycling is not symmetric: formal ecosystem capital is difficult to maintain across failure events, while informal ecosystem capital — community trust, religious network membership, long-term banking relationships — is more durable and therefore more consequential for post-failure restart quality.

Proposition 5's multi-causal persistence finding challenges single-mechanism accounts of entrepreneurial persistence that dominate existing theory. Necessity-driven, opportunity-driven, identity-driven, and value-driven persistence have each been theorized and tested in isolation (Welter et al., 2019; Guerrero & Walsh, 2024; Rashid & Ratten, 2022). The expert evidence from Pakistan demonstrates that these mechanisms operate simultaneously and complementarily. This is consistent with Uriarte et al.'s (2023) cross-national finding that informal cultural conditions are more consequential for post-failure re-engagement than formal institutional support, but extends that finding by specifying the multi-causal complementarity structure.

The Bypass, Shift, and Reconfigure Thesis and Its Theoretical Implications: A central theoretical question posed in this study's introduction and literature review was whether failed serial entrepreneurs must remain dependent on the ecosystem as inherited, or whether they can bypass weak formal structures, shift toward more supportive channels, and selectively reconfigure available ecosystem resources for restart. The evidence from Propositions 1 through 5 supports a qualified answer: full bypass of the dual ecosystem is not possible because both layers perform gatekeeping functions that determine what restart options are structurally available. However, strategic shifting and selective reconfiguration — from formal to informal, from dominant community networks to sector-specific niche networks, from inherited support configurations to selectively assembled compensatory micro-ecosystems — is both possible and theoretically consequential.

The compensatory micro-ecosystem assembly that characterizes higher-order restart in this context is a novel theoretical construct not present in existing ecosystem or failure scholarship. It describes the process through which failed serial entrepreneurs who cannot access the inherited ecosystem configuration reassemble available ecosystem elements — banking relationships, incubation alumni networks, community trust mechanisms, legal navigation expertise — into a customized support structure that is more targeted and more robust against the specific constraints that caused prior failure. Garud et al.'s (2010) path creation perspective is relevant here: serial entrepreneurs do not merely adapt to path-dependent ecosystem constraints but actively create new institutional pathways through the selective reconfiguration of available resources.

The dual ecosystem structure, rather than being uniformly constraining, creates specific arbitrage opportunities — regulatory gaps exploitable through accumulated navigation expertise, community trust accessible to network members, quasi-informal credit available through sustained banking relationships — that higher-order restart leverages and that first-time entrepreneurs cannot access. This revises a dominant assumption in ecosystem theory: that ecosystem inadequacy is primarily a deficit condition requiring policy correction. The Pakistani case demonstrates that ecosystem inadequacy, when combined with the adaptive reconfiguration capability that repeated failure-and-restart cycles develop, produces a distinctive form of entrepreneurial resilience specifically adapted to the ecosystem's inadequacy.

6. CONCLUSION

This study set out to address a theoretically consequential gap at the intersection of entrepreneurial ecosystem research and serial entrepreneurship scholarship: neither stream has adequately theorized how the ecosystem structures the transition from prior venture failure to restart, particularly in institutional-void contexts where formal and informal support mechanisms differ sharply in accessibility and function. Through grounded theory analysis of seven ecosystem experts in Pakistan, this study generates five theoretical propositions organized under a dual ecosystem catalyst model and contributes a process account of how the ecosystem filters restart options, redirects support dependence, activates adaptive capability development, and shapes whether serial entrepreneurs achieve a higher-order, more sustainable subsequent venture.

The central theoretical claim is that the entrepreneurial ecosystem, in institutional-void contexts, is not a passive context for serial entrepreneurship but an active catalytic structure. The formal layer, reaching approximately 15 to 20 percent of entrepreneurs and geographically concentrated in three cities, filters by credential, sector, and gender, and becomes more inaccessible precisely at the post-failure moment when resource depletion is greatest. The informal layer, sustaining 70 to 80 percent of entrepreneurs through religious

networks, family capital, and community trust, substitutes for formal voids but filters by network membership and cultural belonging rather than venture quality. Their interaction under conditions of multiplicative void-turbulence pressure forces support redirection and activates the constraint-based innovation capabilities through which serial entrepreneurs who navigate both layers achieve higher-order restart. The bypass, shift, and reconfigure strategies that make higher-order restart possible are not individual traits but ecosystem-mediated adaptations developed specifically through repeated engagement with a dual structure that simultaneously constrains and develops entrepreneurial capability.

6.1. Theoretical Contributions

This study makes three contributions to entrepreneurship theory. First, it reconceptualizes the entrepreneurial ecosystem as a post-failure catalytic structure rather than a passive contextual backdrop. Existing ecosystem theory, including Stam and Spigel's (2017) foundational framework and Wurth et al.'s (2022) mechanism-based extension, treats the ecosystem as the environment within which entrepreneurial activity occurs. The current study demonstrates that in institutional-void contexts the ecosystem actively performs functions that determine the form, quality, and sustainability of restart attempts after failure.

Second, the study extends the Institution-Based View by specifying the ecosystem-level mechanism through which institutional voids and environmental turbulence interact multiplicatively to shape post-failure outcomes. Existing IBV scholarship treats voids and turbulence as distinct analytical categories and has not examined their combined post-failure effects at the ecosystem level (Peng et al., 2008; Webb et al., 2020; Mair & Marti, 2009). The multiplicative void-turbulence interaction identified here — wherein turbulence actively prevents the systematic institutional development that would otherwise reduce voids, making dysfunction self-perpetuating — specifies a causal mechanism that additive models systematically underestimate.

Third, the study contributes the concept of compensatory micro-ecosystem assembly as the process through which serial entrepreneurs achieve higher-order restart by selectively reconfiguring available ecosystem elements rather than accepting the inherited support structure as given. This concept builds on Baker and Nelson's (2005) bricolage framework and extends it to the ecosystem level, drawing on Garud et al.'s (2010) path creation perspective. It extends Gomezel and Stritar's (2024) entrepreneurial recycling framework by demonstrating that recycling is asymmetric across formal and informal layers, with informal ecosystem capital proving more durable across failure events.

6.2. Practical Implications

Ecosystem development policies targeting aggregate formal infrastructure expansion will not address the post-failure restart problem identified here unless they simultaneously address distributional access mechanisms. Failed entrepreneurs are filtered out of formal ecosystem channels by the same criteria that determined their original access, and failure deepens that exclusion by depleting the credentials, capital, and reputation those channels require. Policy interventions designed specifically for post-failure serial entrepreneurs — including credit guarantee schemes that substitute for depleted collateral, incubation re-entry programs that recognize prior ecosystem engagement, and legal simplification of restart registration procedures — would address the structural filtering mechanism rather than expanding a system that already excludes the majority.

For informal ecosystem actors — religious organizations, chambers of commerce, family networks, and community associations — the findings suggest that the informal layer already performs primary ecosystem functions for most entrepreneurs and that strengthening its post-failure support capacity would have greater reach than parallel formal interventions. E2's documentation of Shia business networks achieving 97% business recovery rates through collective risk-sharing illustrates the mechanism that policy can recognize, resource, and generalize rather than replace.

7. LIMITATIONS

Three boundary conditions delimit the scope of this study's claims. First, the expert sample provides systemic, pattern-level diagnosis of ecosystem catalytic functions but does not capture the subjective entrepreneurial experience of navigating that process from within a single venture trajectory. A complementary study using serial entrepreneur narratives would provide the micro-level process evidence that expert observation cannot fully supply. Second, all seven experts are institutionally affiliated with Karachi, Lahore, or Islamabad, meaning the propositions reflect ecosystem conditions in Pakistan's three primary urban hubs. Third, the cross-sectional design captures expert assessments during a specific temporal window — December

2022 to March 2023 — a period of unusual economic turbulence marked by acute currency devaluation and political transition.

8. FUTURE RESEARCH

Three directions for future research follow from the findings and their limitations. The dual ecosystem structure and multiplicative void-turbulence interaction should be examined in comparable institutional-void contexts — including Nigeria, Bangladesh, Kenya, and Ethiopia — to assess whether the post-failure catalytic process generalizes across dual-ecosystem configurations. Longitudinal studies tracking the same serial entrepreneurs across multiple venture cycles would provide dynamic insight into whether compensatory micro-ecosystem assembly is stable across restart attempts and whether ecosystem capital accumulates monotonically with venture experience. Finally, the gender stratification finding warrants dedicated investigation into how women serial entrepreneurs navigate post-failure restart when excluded from both primary formal channels and dominant male-centered informal networks simultaneously.

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