

Stigma and Business Failure: Implications for Entrepreneurs' Career Choices

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Abstract

We use data from Global Entrepreneurship Monitor to examine the act of entrepreneurial reentry by entrepreneurs who exit a failed business. We study reentry by mode of entry and by form of organizing. We find that in countries where the levels of stigma and regulatory conveyance of stigma markings were at their highest, entrepreneurs who exited failed businesses were less likely to reenter into entrepreneurial activity. Our finding suggests that negative social and economic sanctions that are associated with stigma markings speak only to one side of the entrepreneurship phenomenon. On the other side, stigma can function as a stimulus for entrepreneurs to defy the illegitimacy of the failed business and to actively seek out and engage in innovative behaviors that contribute to the overall diversity of entrepreneurial activities in their country.

Keywords Entrepreneurship, Business Failure, Stigma, Serial Entrepreneurship, Entrepreneur Careers, Global Entrepreneurship Monitor

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1 Introduction

Institutional norms, inclusive of formal rules and informal cultural values, set the stage for levels of entrepreneurial activity in a country and the associated generation of societal wealth (Acs et al., 2008). Because institutional norms dictate legitimacy (Aldrich and Fiol, 1994), entrepreneurs face pressures to act in accordance with normative expectations in order to secure necessary venture resources (Dimaggio and Powell, 1983). The path of the entrepreneur to achieve legitimacy is still widely debated; yet, there is a general understanding that entrepreneurs with legitimacy have demonstrated their conformity to the rules and normative expectations of social and institutional stakeholders. Failure to adhere to normative expectations exposes entrepreneurs to the stigma of negative social judgments (Goffman, 1963) and leads to the economic and social sanctioning of future entrepreneurial activities (Scott, 1987; Landier, 2005). As a result, stigma contributes to observed large cross-country variations in the probability of entrepreneurial reentry subsequent to business failure (Hessels et al., 2011).

Stigma is a multilevel phenomenon whereby social groups (macro level) form collective judgments about the consequences of bearing a particular stigma marking, and persons (micro level) who bear that marking are socialized to incorporate the judgments of the wider society into their conception of self (Goffman, 1963). To date, research has addressed how the stigma of failure, as symbolized formally by the regulatory environment or informally by cultural norms, influence outcomes such as overall entrepreneurial level and diversity in a country (cf. Landier, 2005; Armour and Cumming, 2008; Djankov et al., 2007). A core element of stigma theory, however, is the negative implications of stigma on those individuals who bear stigma markings rather than on the general population.

Some entrepreneurs who exit their businesses are stigmatized. A “business exit” can be defined as the path or process used by individuals pursuing entrepreneurial activity to depart from businesses they founded (DeTienne, 2010). While “business exit” would appear to have a negative connotation, the exit from a business does not necessarily equate with failure. Researchers have examined the characteristics of business exit to find that entrepreneurs can and do depart from both financially viable and unviable ventures for a number of reasons, including “legal problems, partnership dispute, death or simply a shift in interest to carry on with the same business” (Singh, et al., 2007, p. 32). Irrespective of whether entrepreneurs perceive their ventures to be successful or failing, they may choose to exit when opportunity and switching costs or other non-economic considerations suggest that more attractive opportunities exist (Bates, 2005). This departure can be accomplished via diverse paths such as mergers and acquisitions, IPOs, succession, internal and external buyouts and liquidations.

To date, the literature has remained silent concerning the individual implications of stigma for those individuals who have recently exited from businesses that were unsuccessful because of too much competition, lack of customers or profit, financing or other problems and incidents (Levie, Don and Leleux, 2011; Headd, 2003). We will refer to these individuals as ‘failed entrepreneurs.’ The entrepreneurship literature’s focus on the macro level aspects of stigma to the omission of individual implications is an important shortcoming because it inhibits the development and testing of stigma theory within the entrepreneurship domain. The omission is particularly significant because the challenge of establishing legitimacy is a core theme that is discussed in the entrepreneurship literature as a contributing factor of business failure (Stinchcombe, 1965). Consequently, the focus of this article is on how stigma attitudes at the macro level influence the behavior of those individuals who are stigmatized at the micro level.

Specifically, we ask: how are the future career decisions of failed entrepreneurs influenced by variations across countries in negative attitudes towards failed entrepreneurs and formal regulatory laws, policies, and procedures that coerce the disclosure of exits from failed businesses?

Building upon the insights of literatures on organizational legitimacy and the social deviance of individuals and organizations, we develop a theoretical model of career responses to the stigma of entrepreneurial failure and test it across 23 countries from the Global Entrepreneurship Monitor (GEM) study. We employ Eurobarometer national data on negative attitudes towards failed entrepreneurs and World Bank indicators of variations in the extent of business disclosure across countries. We test our hypotheses using logistic regression analyses, adjusted for national-level cluster effects. The conceptual model and empirical findings are indicative of the important linkages that can be drawn between the level of formal controls that exist in a country over stigma visibility and the micro-level strategic responses of individual entrepreneurs who exit failed businesses.

We make four distinct contributions to the literature. First, we extend the emerging research stream in the organization literature on the stigma of organizations and their managers to the context of entrepreneurs who are subjected to negative social judgment from the shutdown of failed businesses. Although the stigma of individuals has been well researched by sociologists and psychologists, the study of stigma in the organizational setting is a young and emerging research stream in the organization literature (Paetzold et al., 2008). We make a theoretical distinction between the independent yet related negative social judgments on established organizations and their leaders (Sutton and Callahan, 1987) and the interdependent and often inseparable negative social judgments on entrepreneurs and their businesses. This important

distinction motivates our development of a theory of the strategic responses of entrepreneurs to the stigma of failure and the ensuing career outcomes.

Second, building on the literatures of strategic responses to institutional pressures (Oliver, 1991) and stigma coping tactics (Miller and Major, 2000; Jones et al., 1984), we develop a theoretical model outlining the different career options for failed entrepreneurs and how stigma differentially bears upon them. We draw attention to the fact that a business exit may be a stimulus for entrepreneurs and their stakeholders to react to feedback on the success or failure of the business. Irrespective of whether the exit is voluntary or driven by economic realities, the act, mode and manner of organizing future entrepreneurial engagement are subject to both the cognitive processing of the exit by the entrepreneur and to the normative expectations of stakeholders. To date, we are not aware of any such models of stigmatized entrepreneurs. Clearly, this represents a novel contribution.

Third, our study of laws, policies, and procedures of entry regulation that convey information about prior business failures contribute to research examining institutional pressures on the strategic choices of organizations (Oliver, 1991) and the roles of coping strategies in the entrepreneurial process (Levie and Autio, 2011; Singh et al., 2007; Shepherd, 2003). In particular, we focus attention on the role of the formal institution as an information carrier to stakeholders who would otherwise be unaware of the stigma markings of individual failed entrepreneurs (Karlsson et al., 2005; Devers et al., 2009); and to the influence of such symbolic information on the future career behaviors of failed entrepreneurs.

Lastly, although contemporary definitions of entrepreneurship separate the act of entrepreneurship (new entry) from the modes of entry (i.e., corporate or autonomous) and the forms of organizing (i.e., solo or teams) (Shane and Venkataraman, 2000), little research has

been carried out that explicitly distinguishes between the ‘act’ and the ‘modes’ of entrepreneurship. We did this, in the context of institutional pressures exerted upon failed entrepreneurs who are stigmatized, by examining entrepreneurial acts of early and late reentry separately by modes of reentry and forms of organizing. We found that in countries where the levels of stigma and regulatory conveyance of stigma markings were at their highest, the likelihood that failed entrepreneurs would reenter into entrepreneurial activity was lower. In some contexts, the negative social judgment of failed entrepreneurs interacts with the regulated disclosure of historical business data to increase the likelihood that failed entrepreneurs would reenter into entrepreneurial activity. This suggests that negative social and economic sanctions that are associated with stigma markings may act as a stimulus for failed entrepreneurs to defy their illegitimacy and to actively seek out and engage in innovative behaviors (Cliff et al., 2006). Hence, stigma can both enhance and diminish the overall diversity of entrepreneurial activities in a country.

In the next section, we develop a theoretical model of the strategic responses of failed entrepreneurs to stigma and state five hypotheses. The methods section presents individual level data on the reentry decisions of 2,607 failed entrepreneurs situated in 23 GEM countries. The results are next discussed. We conclude by discussing the implications of our results for our theoretical model, note the limitations of our study, and present opportunities for future research.

2 Theory Development

2.1 Stigma of Business Failure

There are three conditions for the experience of business failure to be associated with stigma attitudes, sanctions and behaviors. The first condition is the cultural sense-making of

entrepreneurial failure as a stigmatizing behavior, i.e. outside of the norm (Cardon et al., 2011; Goffman, 1963). It is those activities of entrepreneurs that are outside normative expectations that are subject to stigmatization (Goffman, 1963; Jones et al., 1984). Because social norms and institutions vary by country, it makes sense that the magnitudes of business failure rates vary, as does the association of failure to stigma attitudes, sanctions and behaviors (Wennberg et al., 2010; Levie et al., 2011). In their study of bankrupt firms, both Sutton and Callahan (1987) and Semadeni et al. (2008) found stigma to be damaging not only to the entrepreneurial ventures through lost relationships and renegotiated exchange relationships, but also to the individual business leaders who report being hurt and embarrassed by tainted labels.

The second condition is the acceptance of entrepreneurs of the stigma placed on them by social audiences. Theory suggests that stigmatized entrepreneurs will accept the stigma through a socialization process (Goffman, 1963). This acceptance of stigma often leads to performance pressures and social isolation from the dominant group (Settles, 2004; Wyer et al., 2001). Prior empirical studies have also demonstrated that the stigma of business failure systematically influences the willingness of entrepreneurs to start new ventures or engage in risky activities (e.g, Armour and Cumming, 2008).

To recap, the first two conditions suggest that the stigma of business failure influences the entrepreneurial process when there is a normative acceptance of the stigma by both social audiences and entrepreneurs who exit failed businesses. The third condition is that the stigma is discoverable by the social audience via formal or informal institutions that serve as information repositories and carriers. In the next section, we will discuss aspects of the regulatory environment that play a role in this third condition. Figure 1 depicts our model.

Insert Figure 1 about Here

2.2 Disclosures of Business Failure in Entry Regulatory Environments

While the ancient Greeks used branding irons and knives to visibly signal that certain persons were unfit for society, in modern times information about activities that affect the legitimacy of entrepreneurs is often disseminated to social audiences through policies, procedures, and formal institutions that collectively comprise the regulatory environment for doing business in a country (Devers et al. 2009; Erickson 1962, p. 310). Thus, information repositories and the information that is conveyed through these mechanisms are symbolic of the branding mechanisms of the ancient Greeks. For it is through these information repositories that social, economic and legal actors of a country brand entrepreneurs and their businesses as legitimate or illegitimate and, in effect, discourages their entrepreneurial activity (Freel et al., 2012).

The disclosure of prior business failures in entry regulatory environments and the depth of information that they communicate about the presence of stigma markings vary from country to country. Stakeholders in a country negotiate a balance between the societal goals of protecting constituents from being harmed by illegitimate entrepreneurs and of encouraging individuals to pursue entrepreneurial endeavors. This leads to attitudes, regulatory frameworks and reporting requirements that are in line with these societal goals. Empirical studies (e.g. EOS Gallup Europe, 2004) suggest that attitudes toward giving failed entrepreneurs the chance to start new businesses vary substantially across countries. Similar variation across countries has been found in regulatory frameworks and reporting requirements (Armour and Cumming, 2008).

Prior research has shown that the regulatory environment plays a role in influencing entrepreneurial activity at the macro level (Levie and Autio, 2011; Haselmann et al., 2010). The severity of bankruptcy laws in a country represents a salient form of stigma marking that influences the levels of entrepreneurship and accessibility to capital markets (Armour and Cumming, 2008). On the one hand, disclosure of prior business failures in favor of creditor rights may lead to less innovation and growth in the technological industries of countries (Acharya and Subramanian, 2009). On the other, the same regulatory frameworks that act to disclose prior business failures may be beneficial to the screening process of lenders who extend credit to entrepreneurial firms in industries that provide societal benefits to a country (Djankov et al., 2007). In addition, regulatory environments that promote the stigmatization of failed entrepreneurs affect stigmatized and non-stigmatized individuals differently. Severe bankruptcy laws, for example, may be viewed positively by the wider society while at the same time causing embarrassment to entrepreneurs who are stigmatized from their prior failures (Paetzold et al., 2008).

2.3 Strategic Responses to Stigma by Failed Entrepreneurs

In this article, we theorize and test empirically the correlation between institutional contexts and the act, mode and manner of organizing entrepreneurial engagement subsequent to exits from failed businesses. In order for a failed entrepreneur to be stigmatized, a critical mass of individuals must agree that entrepreneurial failure is illegitimate and they need to associate the inappropriate behavior of failure with that entrepreneur (Hudson, 2008). In other words, the behavioral responses of failed entrepreneurs are a function of the stigma associated with entrepreneurial failure as well as the communication of that information. Thus, there is an interaction effect between cultural attitudes that result in the lost legitimacy of failed

entrepreneurs and the regulatory environments that confer individual level information about prior failure events (Ragins, 2008). It is this combined effect to which failed entrepreneurs need to respond (Semadeni et al., 2008). We now turn to the range of behavioral responses open to failed entrepreneurs.

Oliver's (1991) typology informs this aspect of the research by providing insight into the influence of context and control on strategic responses to institutional pressures. This typology identifies theoretical mechanisms that drive strategic responses of organizations and these mechanisms are likely to be generally applicable also to the behavior of individual early stage entrepreneurs, where individual and organizational responses are essentially identical. Oliver identifies five categories of strategic responses that organizations could make in response to institutional pressures: acquiescence, compromise, avoidance, defiance, and manipulation. These responses vary in terms of degree of active agency and the tactics exerted by the organization, i.e., "from conforming to resistant, from passive to active, from preconscious to controlling, from impotent to influential, and from habitual to opportunistic" (p. 151). Importantly, Oliver notes that these strategic responses are a function of the institutional pressures exerted on organizations and the extent to which organizations can control the environment.

The Oliver (1991) typology also resonates with discussions of stigma coping approaches developed in the stigma literature. Miller and Major (2000) suggest that the coping tactics that individuals employ to manage stigma can be categorized as either emotion-based or problem-focused, depending on the perceptions of control over the visibility of stigma markings. These researchers propose that where perceived control over visibility is lower, the approach to stigma management is likely to involve emotion-focused tactics to escape, minimize, dismiss, disengage

or unlink from the stigmatized failure event. In contrast, where perceived control over visibility is higher, the approach to stigma management is likely to involve problem-focused tactics either to change the applicability of the stigma marking to oneself, or alternatively to avoid or change situations where the stigma marking will influence constituents.

The typologies proposed by Oliver (1991) and by Miller and Major (2000) provide perspectives that highlight the pressures of formal and informal institutions within a country on two dimensional levels. The first is the institutional pressure or stigma of business failure (high or low). The second is the control over stigma visibility (high or low) that is diminished by the public availability of information about prior business failures. In other words, the tactics that entrepreneurs deploy to navigate their reentry will vary in terms of degree of conformance to normative expectations and also in terms of the control over the choice of tactics that can be deployed. Building on these frameworks, we now develop a typology of failed entrepreneurs' responses to the stigma of failure. Our typology consists of four scenarios arranged across two dimensions: high and low prevalence of negative cultural attitudes towards failed entrepreneurs and high and low visibility of information about prior failures in the entry environment. We discuss each quadrant in turn and present the associated hypotheses.

2.4 High Stigma and High Visibility Context

High stigma in a country paired with ample access to information about business failure represents a scenario that hits failed entrepreneurs the hardest and the Oliver typology would suggest this pressures an acquiescent response. People in such countries are generally unforgiving of failed entrepreneurs, and associate exits from failed businesses with illegitimate behavior. Furthermore, substantial information about the failed business and the linking of the individual entrepreneur to the failed business is stored and is easily available to stakeholders.

Thus, failed entrepreneurs can be substantially stigmatized under this situation. Miller and Major (2000) note that when individuals who are stigmatized perceive their control over the visibility of their stigmata to be low, their coping approaches are likely to involve tactics to escape or disengage from the stigma of the failed business. This supports the acquiescence response suggested by the Oliver typology.

Failed entrepreneurs who were once legitimate in their countries may find themselves stereotypically grouped with illegitimate entrepreneurs who are afforded less access to the human, social, and financial capital that are important to the survival and performance of their businesses. This illegitimacy is based on a diminished social rather than personal identity, and these entrepreneurs may perceive it to be dehumanizing (Crocker et al., 1998). In such cases, we argue that the dramatic response would be a permanent exit from entrepreneurial activity because this is the domain where the institutional pressures exist (Oliver, 1991; Meyer and Rowan, 1977). Similar responses have been documented in the stigma literature, for example, on stigmatized criminals (Rasmussen, 1996).

We have argued above that institutional contexts with more prevalent negative cultural attitudes towards failed entrepreneurs and high visibility of information about prior failures in the entry environment are more likely to lead entrepreneurs to acquiesce and exit entrepreneurship altogether. Oliver (1991) identifies two mechanisms that are likely to lead to acquiescence. The first involves unconscious agreement with conventions and customs because they are deeply engrained in society. This mechanism drives failed entrepreneurs to internalize the general opinion that entrepreneurial failure is illegitimate. In order to wash away the stigma marking, they distance themselves from entrepreneurship and seek out some other career.

The other mechanism associated with acquiescence is the conscious strategic choice of compliance. Because ample information is available about individuals who fail and because entrepreneurial failure is stigmatized, failed entrepreneurs are likely to face problems for example when negotiating with resource providers. As a result, the entrepreneur may comply and exit entrepreneurship to pursue other careers that present more attractive opportunities. Our first hypothesis therefore states:

Hypothesis 1: The likelihood that failed entrepreneurs will be engaged in entrepreneurship activity is lower in countries with high stigma and high visibility of information about prior failures in the entry environment.

2.5 High Stigma and Low Visibility Context

In the scenario of high stigma and low stakeholder access to information about exits from failed businesses, entrepreneurs are still at risk of being stigmatized but can possibly avoid the detection of their business history. Because the information about the failure is not readily available to everybody, some control over the visibility of the failure shifts from the institution to the entrepreneur. Thus, entrepreneurs can better influence and control reentry than in the high visibility context discussed in Section 2.4. Specifically, low levels of institutional control over the recording and dissemination of information about prior exits from failed businesses provide opportunities for entrepreneurs to avoid the stigma responses of stakeholders and to negotiate their reentry.

Buffering is an avoidance tactic that “refers to an organization’s attempt to reduce the extent to which it is externally inspected, scrutinized, or evaluated” (Oliver, 1991, p. 155). It has been noted in the literature that the amount of stigma that is transferred between a failed organization and its leaders depends on proximity in terms of time and space (Semadeni et al., 2008). Accordingly, measurable variations may exist in the timeframe and occurrences of failed

entrepreneurs who subsequently regain legitimacy (Wiesenfeld et al., 2008). Information repositories and the information that they convey about prior failures are likely to decay in a shorter time frame in contexts where there is less institutional control over preserving the visibility of prior failure events. Therefore, as an alternative to concealment, another form of compromised mode of entry is for entrepreneurs to regulate their stigma by deferring their reentry into entrepreneurship. The next hypothesis states:

Hypothesis 2: The likelihood that failed entrepreneurs will defer reentry is greater in countries with high stigma and low visibility of information about prior failures in the entry environment.

Avoidance represents a generic strategic response to institutional pressures in situations where organizations have some control over the information that the environment obtains about its behavior, but there is little possibility to influence the institution *per se* (Oliver, 1991). Two foreseeable avoidance tactics that may be used by failed entrepreneurs are concealment and buffering. Concealment tactics “involve disguising nonconformity behind a façade of acquiescence” (Oliver, 1991, p. 154). Failed entrepreneurs are more likely to be stigmatized in contexts where information about prior failed ventures is widely available. For this reason, when entrepreneurs can, at least in part, control this information, it may be in their own best interest to conceal any failed entrepreneurial activities. One way for entrepreneurs to conceal the stigma attached to prior business failure is by opting for multiple owner reentry (i.e., startups with founding teams) as opposed to single owner reentry (i.e., startups with the failed entrepreneur as sole owner). This leads to the following hypothesis:

Hypothesis 3: The likelihood that exited entrepreneurs will engage in solo owner autonomous startup activity is lower in countries with high stigma and low visibility of negative information about prior entrepreneurial activity.

2.6 Low Stigma and High Visibility Context

The scenario of low stigma and high stakeholder access to information about exits from failed businesses is representative of countries where entrepreneurial failure is not severely stigmatized but there is ample information about exits from failed businesses. We suggest that under such circumstances failed entrepreneurs are likely to pursue compromise-based tactics to balance, pacify or bargain with stakeholders (Oliver, 1991). Such responses are only possible when there is some flexibility in attitudes towards members of the stigmatized group. Low stigma contexts imply that constituents view some aspects of the failure experience positively. Because of the opportunity to compromise with stakeholders, failed entrepreneurs are likely to continue to pursue entrepreneurial careers. The high visibility of prior failures nonetheless exerts pressures on failed entrepreneurs to pursue entrepreneurial careers in domains that are less associated with their stigmatized history. This suggests the following hypothesis:

Hypothesis 4: The likelihood that reentering failed entrepreneurs will engage in startup activity as corporate employees is greater in countries with low stigma and high visibility of information about prior failures in the entry environment.

2.7 Low Stigma and Low Visibility Context

Low stigma and low visibility contexts provide failed entrepreneurs the most leeway because of lack of pressure to conform. This is not to say that entrepreneurial failure is not stigmatized but rather that the enforcement of stigma sanctions are not severe. In such contexts we would expect either defiant responses or those that dismiss or challenge stigma. Defiant responses “represent unequivocal rejections of institutional norms and expectations” (Oliver, 1991, p. 157). The challenge tactic reflects a dramatic divergence from social norms, even in the face of high sanction. While the dismissal tactic is also a divergence, this tactic is more likely to be used when the costs associated with nonconformity are low. For instance, where the act of

entrepreneurship is viewed positively, failed entrepreneurs are likely to face limited sanctions if they decide to reenter. In such contexts, entrepreneurs may view failure as a badge of honor.

Landier (2005), for example, quotes an engineer in Silicon Valley in the United States who states: “here in Silicon Valley it is the mark of the entrepreneurial spirit (p. 24).” However, although the stigma of failure is low in the United States, the high level of available information about business failures in the entry regulatory environment still represents a form of institutional pressure on the entrepreneurs who exit failed businesses (World Bank Doing Business Report, 2011). In other words, while stigma from failure is less likely to occur in Silicon Valley, the high institutional control over disclosure in the United States discourages acts of defiance or dismissal in those incidences where stigma of the business exit does occur. Accordingly, we argue that the willingness of failed entrepreneurs to defy or dismiss the stigma of failure will be higher in countries where fewer people associate failure with stigma; and also, there is low institutional control over the visibility of exits from failed ventures. This leads to the following hypothesis:

Hypothesis 5: The likelihood that failed entrepreneurs will engage in subsequent autonomous startups is greater in countries with low stigma and low visibility of information about prior failures in the entry environment.

3 Methodology

3.1 Dataset

This study utilizes a unique combination of data from GEM, World Bank and European Union Flash Barometer (FB). Our sample is selected from a cross-country pool of individuals interviewed during the 2006-2009 fieldwork of the GEM project. The GEM Project is an ongoing cross-national study that started in 1999 with the aim of measuring cross-national entrepreneurial activity (Reynolds et al., 1999). The GEM respondents in each country were randomly selected from the general population of their countries and interviewed about their

entrepreneurial attitudes, intentions, and activities. In order to derive the country-level variables of stigma sanctions and the disclosure of prior business failures in entry regulatory environments, we combined the GEM data with the World Bank Development Indicators (WDI) and the European Commission Flash Barometer. Complete data were then available for twenty three countries¹.

We adopted the approach of Kwon and Arenius (2010) and pooled the GEM data collected from the respondents in each country across the 4 year period of 2006-2009 to increase the stability of the measures. We then limited our sample to include only failed entrepreneurs, defined as those GEM respondents who shut down, discontinued or quit a venture in the past 12 months because of too much competition, lack of customers or profit, financing problems, incidents and ‘other’ reasons. We identified and excluded those respondents who exited through means of a sale, advanced planning, retirement, or to pursue another job or business opportunity. We believe our view of failure is advantageous because legal frameworks differ substantially across countries so that in many contexts exit routes other than bankruptcy are preferred for failed entrepreneurs. Entrepreneurs who shutdown, discontinue or quit an unsuccessful business have the potential to be stigmatized in their countries. A total of 2,707 GEM respondents between the ages of 18 and 64 from the 23 countries fitted these criteria. We then removed portfolio entrepreneurs, i.e. individuals who were running another business at the time they shut down the business, on the grounds that the failed business is likely to be less significant to these individuals than to a single business entrepreneur.

Our final sample is comprised of 2607 failed entrepreneurs. Table 1 provides descriptive statistics for these failed entrepreneurs in each study year (2006-2009). Table 1 also provides

¹ Belgium, Croatia, Czech Republic, Denmark, France, Finland, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Netherlands, Norway, Portugal, Romania, Slovenia, Spain, Sweden, Turkey, United Kingdom, and United States

descriptive statistics of an additional 948 non-failed entrepreneurs in each study year that correspond to business exits through means of a sale, advanced planning, retirement, or to pursue another job or business opportunity. We excluded these non-failed entrepreneurs from our study.

Insert Table 1 about Here

3.2 Dependent Variables

We analyzed the influence of stigma and the regulatory conveyance of stigma on entrepreneurship exit, sole owner startup, deferred reentry intention and reentry as employees (corporate entrepreneurs) or owners of autonomous start-ups. We used five binary dependent variables from the GEM data. These variables enabled us to unlink the act of reentry into entrepreneurship from the mode of reentry and form of organizing the reentry.

The *Early Reentry* dependent variable measures whether the GEM respondents we identified as failed entrepreneurs are engaged in nascent or new entrepreneurial activity. The variable was constructed from three GEM variables: (1) individuals who are, alone or with others, currently trying to start a new business, including any self-employment or selling any goods or services to others; (2) individuals who are, alone or with others, currently trying to start a new business or a new venture for their employer as part of their normal work; and (3) individuals who currently manage and own a business ('baby businesses') that is up to 42 months old. By including entrepreneurs who started businesses shortly before or shortly after failure, we account for the anticipation that entrepreneurs can have about imminent business failure. Shepherd et al. (2009) suggest that anticipatory grieving provides entrepreneurs with a means to emotionally cope with business failure. We suggest that in the years running up to closure, entrepreneurs may cope with imminent business failure by searching for a new business that could be up and running by the

time the first business closes. This aspect of coping with business failure has been ignored, at least explicitly, in the literature.

The *Late Reentry* dependent variable measures whether the failed entrepreneurs are ‘alone or with others, expecting to start a new business, including any type of self-employment, within the next three years.’ Some of the failed entrepreneurs engaged in nascent or new entrepreneurial activity also confirmed that they are expecting to start a business in the next three years. To resolve this duplication, the Late Reentry variable was coded as ‘0’ for respondents who are (1) actively involved in start-up effort as owner, no wages yet; or (2) manage and own a running business.

The next two dependent variables examine the modes of entrepreneurship reentry: whether the entrepreneurship activity undertaken by the GEM respondents was in the mode of corporate reentry or in the mode of autonomous reentry. *Corporate Reentry* indicates respondent answers to the question ‘you are, alone or with others, currently trying to start a new business or a new venture for your employer as part of your normal work.’ *Autonomous Reentry* indicates respondent answers to the question ‘you are, alone or with others, currently the owner of a company you help manage, self-employed, or selling any goods or services to others.’ The aggregate of these two variables equates the entrepreneurship reentry dependent variable.

The final dependent variable is *Sole Owner Reentry*. This variable examines whether the mode of organizing the autonomous reentry was as a solo member reentry or a multiple team member reentry. The variable indicates whether the reentry business had a sole owner (1) or multiple owners (0).

3.3 Explanatory Variables

There are two explanatory stigma variables. The first explanatory variable, *Stigma*, is constructed from survey data collected for the European Commission on attitudes towards

entrepreneurship (Gallup, 2010). The variable measures the percentage of responses to the statement ‘people who have started their own business and have failed be given a second chance’ that were strongly agree, agree, don’t know, disagree and strongly disagree. Using a (-2, 2) scale, we weighted the response categories and assigned positive values to the negative social judgments about giving failed entrepreneurs a second chance and vice versa.

Our second explanatory variable, *Regulatory Conveyance of Stigma*, is constructed from World Development Indicators (WDI) collected as part of the ongoing World Bank Doing Business project that collects data on regulations governing small and medium sized business operating in 183 economies (The World Bank, 2011). The WDI indicator used to construct the Regulatory Conveyance of Stigma variable measures the depth of credit information about individuals and firms that are available through public and private credit registries on a 0-6 scale. More specifically, this indicator reports whether the positive or negative data on firms and individuals are communicated; to whom the information is reported; the age of the information and the opportunities for borrowers and capital providers to inspect the information.

Figure 2 presents an illustrative graph of the mean standardized distance in Stigma (years 2007-09) and Regulatory Conveyance of Stigma (years 2005-08) for each country in the study.

Insert Figure 2 about Here

3.4 Control Variables

It is important that we include individual and country level control variables that are predictors of entrepreneurial behavior in our analysis (Davidsson and Honig, 2003; Stam et al., 2008). On the individual level, we include GEM measures of the respondent’s *Age*, *Gender* and *Startup Skill* at the time of the GEM interview. These variables provide measures of explicit

human capital. *Age Squared* was also included in our model because of the curvilinear effect of age on increasing human capital through accumulated life experiences and decreasing human capital due to loss of stamina and risk aversion (Wennberg et al., 2010). On the country level, we include a GEM measure of the *National Fear of Failure* and WDI measures of the *Time to Resolve Insolvency* and *GDP Per Capita Growth*. We include these variables because prior studies have found a systematic relationship between the size and dynamics of the entrepreneurial economy and the levels of entrepreneurial activity in countries (Acs et al., 2005; Armour and Cumming, 2008). We also included the GEM measure of the *National Fear of Failure* as an indicator of uncertainty avoidance, which has been shown to be negatively associated with the entry decision (Autio et al., 2013). Table 2 provides a description of the explanatory and control variables in our study.

Insert Table 2 about Here

4 Results

On the basis of level of stigma and visibility of information we developed and tested a theoretical model outlining the behavioral options open to failed entrepreneurs and the mechanisms that drive failed entrepreneurs to choose different career options. To date, most theorizing and discussion of the stigma of entrepreneurial failure has been limited to assuming that entrepreneurs acquiesce to institutional pressure. We suggest that depending on level of stigma and visibility of information, entrepreneurs are more or less likely to rely on concealment, buffering, compromise, and defiance rather than acquiescence. This fine-grained model of

responses to the stigma of failure provides valuable theoretical refinement to our understanding of the stigma of failure. We now discuss our results and their implications in greater detail.

4.1 Descriptive Statistics

The descriptive statistics for the study variables are shown Table 3. In the sample of 2607 failed entrepreneurs, 24% were identified as engaged in early reentry, of which 10% chose corporate reentry and 14% autonomous reentry. Sole owners were 10% of the total sample. Lastly, 16% reported deferred intentions to reenter (late reentry). Four out of five (79%) of the respondents agreed they had the skill, knowledge and experience to start a new venture. On the national level, the mean GDP annual growth per capita was positive for this group of countries; the mean national fear of failure rate was 34% of the population; and the mean time to resolve insolvency exceeded 1.85 years.

Insert Table 3 about Here

4.2 Logistic Regression Models

In section 3, we hypothesized the effects of stigma and the regulatory conveyance of stigma on the act of entrepreneurship (i.e., reentry and deferred reentry), the mode of reentry (i.e., autonomous startup versus corporate employee) and the form of organizing (i.e., sole owner versus multiple owner structures). The hypotheses were tested using the logistic regression models shown in Tables 4 - 8. The models are adjusted for 23 country clusters in Stata using the cluster option. This hierarchical estimation technique adjusts the standard error by computing a cluster robust standard error for the coefficient. The assumption is that the individual level observations within each country are correlated (Raudenbush and Bryk, 2002). This approach is an effective means to test the effects of national level variables on individual level variables

(Autio et al., 2013). The full models shown in Tables 4-8 are statistically significant indicating that the models that test our five hypotheses are able to distinguish the effects of stigma and the regulatory conveyance of stigma on the entrepreneurial activities of the GEM respondents in our sample.

Insert Tables 4-5 about Here

4.2.1 Acts of Entrepreneurship

Hypotheses 1 (early reentry) was supported in Table 4 and Hypothesis 2 (late reentry) was partially supported in Table 5. A strong predictor of acts of entrepreneurship in both models was startup skill. This predictor has a significant odds ratios in the range of 1.98 to 2.06 ($p < .01$) in Models 1-3 of Table 4 and significant odds ratios of 1.81 to 1.89 ($p < .01$) in Models 1-3 of Table 5. For Hypothesis 1, stigma was also predictive of early reentry in Model 2 (0.48, $p < .05$) and Model 3 (0.30, $p < .01$) of Table 4. The significant odds ratio indicates that failed entrepreneurs in countries with high stigma levels have a lower likelihood of reentry. Further, the significant odds ratio of 0.26 ($p < .05$), for the interaction of stigma and its regulatory conveyance, predicts that the likelihood of early reentry in high stigma countries decreases with high levels of regulatory conveyance about failure events. As for effect sizes, the pseudo R^2 increased from 0.033 in the base model with control variables (Model 1) to 0.046 in the full model with interaction effects (Model 3). These results support Hypothesis 1.

As for late reentry, stigma is not significant in Table 5. The time to resolve insolvency with odds ratios of 1.41 ($p < .05$) in Model 2 and 1.39 ($p < .05$) in Model 3; and the regulatory conveyance of stigma with odds ratios of 1.31 ($p < .05$) in Model 2 and 1.18 ($p < .05$) in Model 3 were significant institution level predictors of the (intended) late reentry of failed entrepreneurs.

The interaction of stigma and its regulatory conveyance was also significant. The significant odds ratio of 3.37 ($p < .01$) in Model 3, for the interaction, predicts that the likelihood of late reentry intention in high stigma countries increases with high levels of regulatory conveyance about failure events. As for effect sizes, the pseudo R^2 increased from 0.039 in the base model with control variables (Model 1) to 0.054 in the full model with interaction effects (Model 3). These results support Hypothesis 2.

4.2.2 Form of Organizing

Hypothesis 3 states that the likelihood that exited entrepreneurs organize their reentry as a sole owner startup activity is higher in countries with high stigma and low regulatory conveyance of stigma. As shown in Table 6, this hypothesis is also supported. Although start-up skill is still a strong predictor of the form of organizing with odds ratios of 3.63 to 3.77 ($p < .01$) in Models 1-3, the results suggest that stigma reduces the likelihood that skilled entrepreneurs will organize reentry as sole owner startups with odds ratios of 0.29 ($p < .05$) in Model 2 with only the main effects and 0.17 ($p < .01$) in Model 3 with the interaction effects.

Insert Table 6 about Here

Further, the significant odds ratio of .25 ($p < .01$) in Model 3 for the interaction of stigma and the regulatory conveyance predicts that the likelihood of sole owner reentry in high stigma countries decreases further with high levels of regulatory conveyance about failure events. As for effect sizes, the pseudo R^2 increased from 0.040 in the base model with control variables (Model 1) to 0.054 in the full model with interaction effects (Model 3). These results support Hypothesis 3.

4.2.3 Modes of Reentry

Table 7 shows the effects of the independent variables on corporate reentry. Startup skill was found to be a significant predictor of corporate reentry in Model 1 (1.63, $p < .05$) with only control variables and Model 2 (1.62, $p < .05$) with the main effects. Startup skill was only marginally significant in Model 3 (1.51, $p < .10$) with the interaction effects. The significant odds ratio of 0.22 ($p < .01$) in Model 3 for stigma indicates that failed entrepreneurs in countries with high stigma levels have a lower likelihood of corporate reentry. Notably, stigma was not significant in Model 2 with only the main effects. Further, the significant odds ratio of 0.15 ($p < .05$) for the interaction of stigma and the regulatory conveyance predicts that the likelihood of corporate reentry in high stigma countries decreases further with high levels of regulatory conveyance about failure events. As for effect sizes, the pseudo R^2 increased from 0.034 in the base model with control variables (Model 1) to 0.057 in the full model with interaction effects (Model 3). Hypothesis 4 (corporate mode of reentry) was supported.

Insert Tables 7-8 about Here

Lastly, Hypothesis 5 (autonomous mode of reentry) was supported in Table 8. The likelihood of autonomous reentry was significantly decreased by higher levels of stigma with odds ratios of 0.49 ($p < .05$) in Model 2 and 0.43 ($p < .01$) in Model 3 and also by longer times to resolve insolvency with odds ratios of 0.83 ($p < .05$) in Model 2 and 0.82 in Model 3 ($p < .05$). The strongest predictor in Table 8 is also startup skill, which increases the likelihood that future acts of entrepreneurship will be autonomous with odds ratios of 2.11 ($p < .01$) in Models 1 and 2 and 2.07 ($p < .01$) in Model 3. The regulatory conveyance of stigma was not predictive of autonomous reentry. However, the significant odds ratio of 0.62 ($p < .05$) in Model 3 for the

interaction of stigma and its regulatory conveyance predicts that the likelihood of autonomous reentry in high stigma countries decreases further with high levels of regulatory conveyance about failure events. As for effect sizes, the pseudo R^2 increased from 0.027 in the base model with control variables (Model 1) to 0.031 in the full model with interaction effects (Model 3).

5 Discussion

Early studies in the entrepreneurship literature focused on the characteristics of the entrepreneur or the institutional context. Contemporary definitions and delineations of the academic domain of entrepreneurship emphasize the nexus of profitable opportunity and enterprising individuals (i.e., Shane and Venkataraman, 2000). The underlying premise of this nexus is that the opportunities that exist are demanded by the potential supply of entrepreneurs (Alvarez and Barney, 2007; Kirzner 1999). Accordingly, popular explanations for variances in the total entrepreneurial activity across countries focus on cultural norms (Taylor and Wilson, 2012) and socioeconomic conditions (Acs et al., 2005) that influence the opportunities that exist for entrepreneurs.

A better understanding of the nexus between profitable opportunities and enterprising individuals calls for greater emphasis on certain supply- and demand-side explanations of entrepreneurial activity that have received little attention in the literature to date (Carter et al., 2003). Entrepreneurship is an outcome of environmental constraints and individual career choices that vary greatly across time and space (Carr, 1996). The reasons for initiating entrepreneurial careers differ; so too do the effects of subsequent external and cognitive feedback from venture successes and failures on future intentions and preferences for entrepreneurial careers (Cassar, 2007). Accordingly, there can be more or less demand for entrepreneurs because

of shifts in the institutional pressures and normative expectations for different groups of entrepreneurs. Our findings suggest that shifts in social realities for different groups of entrepreneurs, in concert with the cognitive processing of business exits, shape the acts and modes of entrepreneurial engagement that occur subsequent to business exits. Our findings also highlight that societal demand for different groups of entrepreneurs is not always equivalent and shifts across time and events.

The reentry of entrepreneurs following the shutdown of a venture is an important phenomenon; so are the influences of national contexts and institutional pressures (Autio and Acs, 2010) on the reentry decision. There is empirical evidence of cross country differences in the probability of entrepreneurial reentry after failure (Hessels et al, 2011). It has been inferred, but not tested, that these differences can be attributed to various levels of stigma of failure. Previous research in the stigma of failure has found important cross-national correlations between indicators of stigma and indicators of entrepreneurial activity (Armour and Cumming, 2008). Building on the proposition from stigma theory that stigma is a multilevel phenomenon (Goffman, 1963), we developed and tested a theoretical model linking stigma at the national level to the behavior of individual stigmatized failed entrepreneurs, thus linking the macro and micro levels of stigma.

Drawing upon Oliver's framework for how organizations respond to institutional pressures, we developed and tested a model of failed entrepreneurs' responses to different institutional norms. We do not mean to suggest in our model that formal institutions and social norms are independent of each other. Rather, we believe that with this model we develop a theoretically sound typology for understanding the behavioral options available to stigmatized entrepreneurs, showing that an arsenal of behavioral options is available to failed entrepreneurs. This has not

been sufficiently considered in the literature. Moreover, we derive mechanisms that influence which of these options are more or less feasible and when they apply. In considering different modes of reentry for failed entrepreneurs, our theoretical model corresponds to contemporary conceptualizations of entrepreneurship which emphasize that the act of entrepreneurship (new entry) is separate from the form of organizing (Shane and Venkataraman, 2000).

Our results support our baseline hypothesis that failed entrepreneurs are more likely to completely exit entrepreneurship and turn to other career options in contexts where there is a large critical mass conferring stigma sanctions combined with high institutional control over the conveyance of information about the failure. Two different mechanisms may be at play here. First, failed entrepreneurs could withdraw from further entrepreneurial attempts because they internalize the values of the critical mass that entrepreneurial failure is illegitimate. Thus, they view themselves as unfit for entrepreneurship. Second, they may still want to reenter entrepreneurship but deem their chances for succeeding the next time to be too small because of their stigma marking. Important stakeholders will likely be unwilling to deal with them and provide them with the resources needed for success.

A context characterized by extensive stigma of failure but low institutional control over the visibility of stigma markings allows entrepreneurs more freedom to act because they can, at least in part, control the information about their prior activities. We hypothesized that this context would be associated with two behaviors. First, entrepreneurs would be less likely to start new firms autonomously. Second, entrepreneurs would be more likely to defer their entry to a later stage, distancing themselves from the failure event (Wiesenfeld et al., 2008). We found support for these hypotheses. Stigma was found to decrease the likelihood of autonomous startup and disclosure was found to have significant direct effects on increasing the likelihood of deferred

reentry. Note that if the lower probability of reentry was completely attributed to entrepreneurs' internalization of the values of the critical mass, there would be no reason for the deferral that we observe in countries with high regulatory conveyance of prior failures.

If the stigma of failure is low but the institutional control over the visibility of the stigma markings is high, we hypothesized that failed entrepreneurs have some bargaining power vis-à-vis the institution. We found support for the notion that in these contexts, entrepreneurs would be more likely to reenter entrepreneurship as employees. We believe that this is a very interesting finding. In line with our theoretical logic, it suggests that failed entrepreneurs are not simply victims to their fate but can pursue more active strategies, negotiating with the constituents in their environments. This finding is also in line with the general notion in entrepreneurship research of entrepreneurs as active agents shaping their own destinies (Sarasvathy et al., 2003).

Failed entrepreneurs will employ strategic responses to manage stigma and respond to their lost legitimacy. Our empirical findings are that cross-national differences in levels of stigma attitudes and in regulatory disclosure of prior business failures do influence the decisions of failed entrepreneurs to engage or defer future startup activity, as well as, decisions surrounding their modes of entry. The implications of such decisions extend beyond the individual entrepreneur to affect the diversity and totality of entrepreneurial activity in the country. After all, there are differences in the competencies and behaviors of nascent and experienced entrepreneurs (Westhead and Wright, 1998).

Our overall conclusion is that the correlation between business exits and future engagement in entrepreneurship activity is more complex than previously recognized in the literature. Both the economic and social realities of business exits and the independent cognitive processes of entrepreneurs play important roles in the act, mode and manner of reentry after business exits.

Because of the associated learning outcomes, prior entrepreneurial experiences have been emphasized in the literature as having a positive influence on the future success of habitual and serial entrepreneurs. Our research reveals that the normative and personal expectations of entrepreneurs based on the performance of the businesses they have exited can also have a negative influence on their subsequent entrepreneurial career paths. Our findings should stimulate future investigations into the policy implications of variances in the social and cognitive expectations of entrepreneurs who exit businesses. We turn to this issue in the next section.

6 Implications for Entrepreneurship Policy

When entrepreneurs fail to sustain viable ventures, the question arises: should policymakers encourage or discourage the stigmatization of these individuals, i.e., what are the net welfare effects? It has been argued that the stigma of failure has a negative spillover effect in that it reduces the willingness of the general public to enter entrepreneurship: the higher the stigma of failure, the lower the willingness to enter (Armour and Cumming, 2008). Our research nuances this baseline argument and demonstrates the importance of distinguishing between the normative expectations and constraints of informal institutions (i.e. the extent of negative attitudes towards failed entrepreneurs) and the control over navigating normative expectations imposed by formal institutions (i.e. public records of business failures).

Many national governments try to influence the attitudes of the general public to entrepreneurship. Similar efforts could likely be used to try to influence attitudes towards failed entrepreneurs. Government control over the normative expectations of the public is reflected in regulatory policies and procedures. Further, advances in information technology contribute to the

increasingly extensive tracking of business failures. While transparency is usually viewed as positive, this research suggests that it can also have negative aspects when it comes to the reentry of entrepreneurs in high-stigma institutional contexts. We also provide additional insight into the behavioral options open to failed entrepreneurs. Rather than assuming that failed entrepreneurs either exit entrepreneurship altogether or reenter by themselves, we have identified a number of other alternative paths into entrepreneurship and the factors that influence these choices. For example, we show that the act of entrepreneurship (new entry) is separate from the entrepreneur career choices as to modes (e.g., autonomous startup, corporate venture) and form (sole versus multiple owner startups) of organizing reentry.

7 Limitations and Future Research

It is possible that we included some entrepreneurs who closed firms that were not failures (Wennberg et al., 2010), and excluded other entrepreneurs who were not willing to admit that the businesses they closed were unsuccessful. Further, although we tried to isolate autonomous startups, there could remain some overlap of autonomous and corporate new ventures. Such shortcomings likely introduce random measurement error which leads to attenuation of results. The risk that this measurement error should lead to spurious results is small. Ideally, respondent reentry claims would be validated with secondary data from registrations of new businesses or similar, but in some countries registration is not compulsory and so no universal double check is possible – indeed, the GEM data is currently the only source of individual-level business reentry across nations.

Our models explain around 5% of the variability in reentry propensity, indicating that while the cultural and regulatory effects of stigma are explanatory of entrepreneur career choices

following business failure, there is still significant unexplained variance. Future research could provide additional insights into this variability by examining how individual and cross-level interactions influence the reentry choice, mode or form of organizing (Arenius and Minniti, 2005). For example, future research can examine if gender and human capital variables such as startup skill or education moderate the cultural and regulatory effects of stigma.

Lastly, the awareness of disclosure of prior business failures in the regulatory environment is an important antecedent to the behavioral responses of failed entrepreneurs (Ragins, 2008; Goffman 1963). Our study does not examine whether individual failed entrepreneurs had either the capacity or willingness to decode the extent of disclosure of prior business failures in their entry regulatory environments. Accordingly, opportunities exist for experimental researchers to examine whether and to what extent failed entrepreneurs take into consideration the extent of disclosure of prior business failures in the entry environment to make decisions about their future career choices.

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FIGURE 1 Stigma and Regulatory Conveyance on Reentry Acts, Mode and Organizing

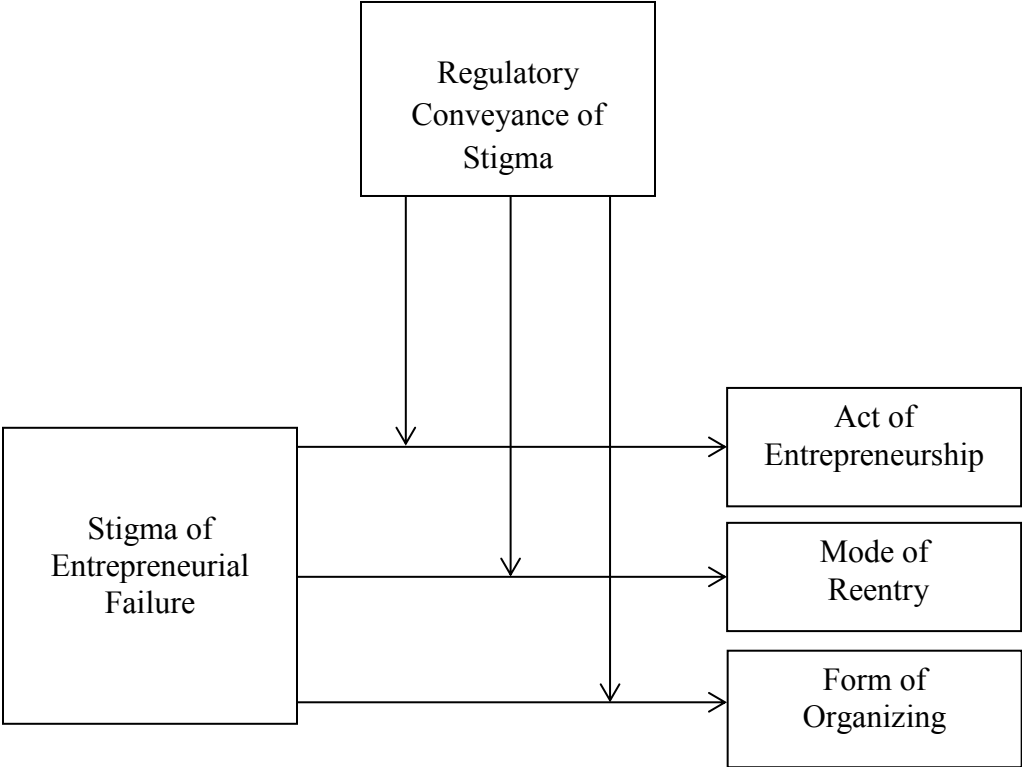


FIGURE 2 Mean Distances for Stigma and Regulatory Conveyance

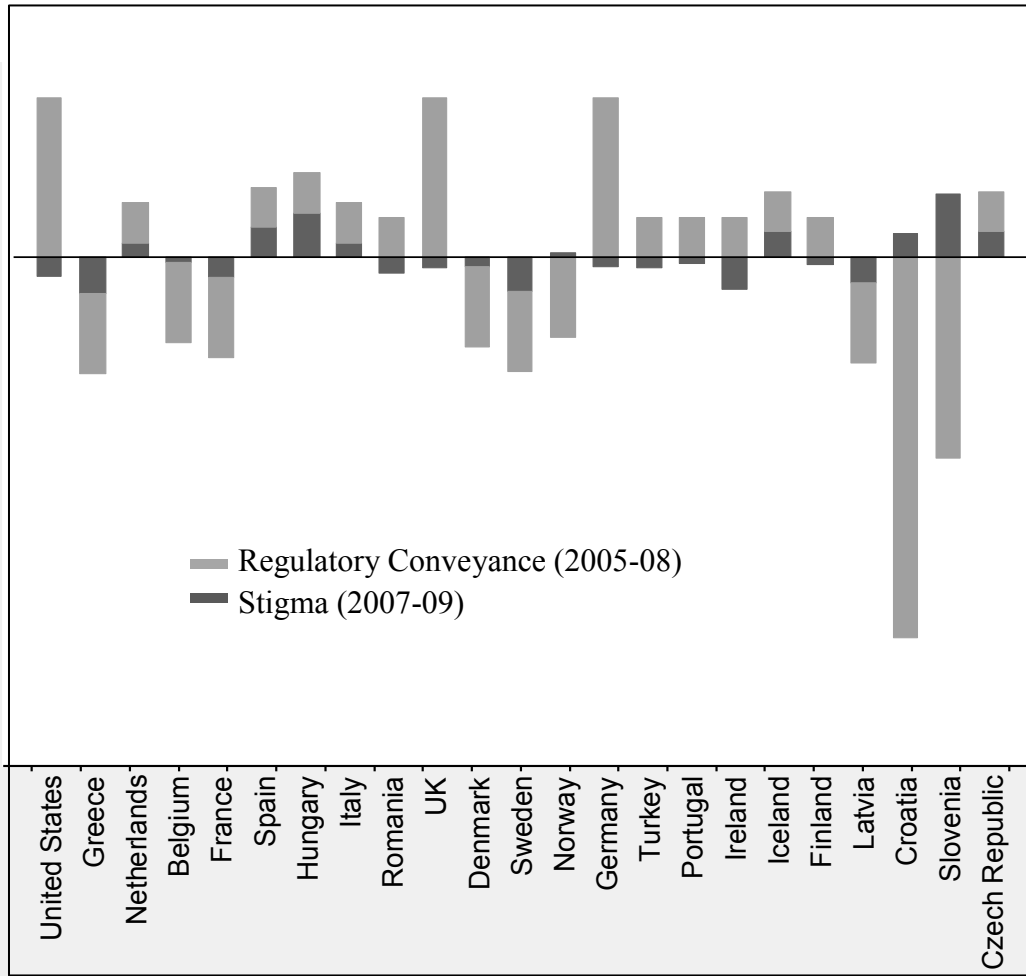


TABLE 1 Descriptive Statistics of Business Exits

Reasons For Shutdown	2006	2007	2008	2009	* N
<i>Business Failure</i>					
Unprofitable Business	**157	176	242	239	814
Finance Problems	223	74	80	110	487
Unspecified Closures	381	282	310	333	1306
	761	532	632	682	2607
<i>Other Exits ***</i>					
New Opportunities	91	126	130	133	480
Planned/Retirement	95	112	141	120	468
	186	238	271	253	948

* *Post-adjustments to GEM data for missing observations and portfolio entrepreneurs.*

** *2006 variables are 'too much competition' and 'lack of customers.'*

*** *Excluded from the model as non-failure exits.*

TABLE 2 Descriptions of Explanatory and Control Variables

VARIABLES	SOURCE	YEAR(S)	DESCRIPTION
Stigma	Flash EB	2007-09 Mean	Statement 'people who have started their own business and have failed should be given a second chance.' Responses were weighted (-2, 2) with (2) = strongly disagree, (-2) = strongly agree that entrepreneurs should be given a second chance.
Regulatory Conveyance of Stigma	WDI	2005-08 Mean	Depth of Credit Index of rules affecting the scope, accessibility, and quality of credit information available through either public or private credit registries. Ranges from 0 to 6, with higher values indicating the availability of more credit information to facilitate lending decisions.
Age & Age Squared	GEM	2006-09	Variables measure the age of the respondent (continuous)
Gender	GEM	2006-09	Binary variable (female = 2)
Start-up Skill	GEM	2006-09	% population aged 18-64 agreeing with statement: “you have the skills, knowledge and experience to start a business”.
Time to resolve insolvency (years)	WDI	2005-08 Mean	The time (in calendar years) required by bankruptcy proceedings involving domestic entities. Indicator variable constructed from WDI data ("1" = 1.5 years or less; "2" = up to 3yrs; "3" = more than 3 years).
GDP Growth (per capita)	WDI	2005-08 Mean	Annual percentage growth rate of GDP per capita based on constant local currency.
National Fear of Failure	GEM	2006-09 Mean	% population aged 18-64 agreeing with statement: “fear of failure would prevent you from starting a business”.

TABLE 3 Descriptive Statistics

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
<u>Dependent Variables</u>														
1 Early Reentry	.24	.43												
2 Late Reentry	.16	.37												
3 Corporate Reentry	.10	.30												
4 Autonomous Reentry	.14	.35												
5 Sole Owner Reentry	.10	.30												
<u>Explanatory Variables (N=2607)</u>														
6 Start Up Skill	.79	.41	.113 *	.069 *	.053 *	.093 *	.118 *							
7 Female	1.40	.49	-.116 *	-.031	-.080 *	-.074 *	-.092 *	-.125 *						
8 Age	43	11.76	-.097 *	-.131 *	-.074 *	-.049 *	-.036	.069 *	-.012					
9 GDP growth	3.14	2.68	-.020	.080 *	.018	-.042 *	-.022	-.015	-.026	-.018				
10 Stigma	1.11	.20	-.040 *	-.007	-.003	-.052 *	-.056 *	.027	.017	.072 *	.059 *			
11 Regulatory Conveyance	4.67	1.09	-.026	.029	-.094 *	.048 *	-.012	.036	.052 *	.053 *	-.153 *	-.296 *		
12 Insolvency Time	1.85	.79	.012	.076 *	.083 *	-.055 *	.004	-.043 *	-.033	-.081 *	.245 *	-.076 *	-.428 *	
13 GEM Fear of Failure	34.22	7.10	-.010	.010	-.029	.012	.002	-.067 *	-.014	-.081 *	-.013	-.216 *	-.107 *	-.033

* Correlation is significant at the 0.05 level (2-tailed)

TABLE 4 Regression Models of Early Stage Reentry

	MODEL 1		MODEL 2		MODEL 3	
	Odds	Std.	Odds	Std.	Odds	Std.
	Ratio	Err.	Ratio	Err.	Ratio	Err.
(N=2607; 23 Country Clusters)						
Constant	0.32 ***	0.09	0.36 ***	0.10	0.37 ***	0.09
<i>Individual Control Variables</i>						
Start Up Skill	2.06 ***	0.36	2.07 ***	0.35	1.98 ***	0.33
Female	0.59 ***	0.06	0.60 ***	0.06	0.58 ***	0.06
Age	0.98 ***	0.01	0.98 ***	0.00	0.98 ***	0.00
Age Squared	1.01	0.01	1.01	0.00	1.00	0.00
<i>Country Control Variables</i>						
GDP Growth	0.97	0.03	0.98	0.03	0.97	0.03
National Fear of Failure	1.00	0.01	0.99	0.01	1.01	0.01
Insolvency Time	1.04	0.13	0.96	0.11	0.94	0.09
<i>Main Effects</i>						
Stigma			0.48 **	0.18	0.30 ***	0.11
Regulatory Conveyance			0.90	0.12	0.99	0.09
<i>Interaction Effects</i>						
Stigma X Reg. Conveyance					0.26 **	0.12
2LL	-1392.67		-1388.32		-1374.88	
Wald Chi ²	90.36 ***		212.83 ***		180.97 ***	
Pseudo R ²	0.033		0.036		0.046	
ΔR ²			0.003		0.009	

(*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$)

TABLE 5 Regression Models of Late Stage Reentry

	MODEL 1		MODEL 2		MODEL 3	
	Odds Ratio	Std. Err.	Odds Ratio	Std. Err.	Odds Ratio	Std. Err.
(N=2607; 23 Country Clusters)						
Constant	0.10 ***	0.05	0.08 ***	0.03	0.08 ***	0.03
<i>Individual Control Variables</i>						
Start Up Skill	1.81 ****	0.26	1.81 ****	0.27	1.89 ***	0.30
Female	0.88	0.11	0.86	0.10	0.88	0.11
Age	0.97 ***	0.01	0.96 ***	0.00	0.97 ***	0.00
Age Squared	1.00 *	0.00	1.00	0.00	1.00	0.00
<i>Country Control Variables</i>						
GDP Growth	1.06	0.04	1.06 *	0.04	1.07 **	0.03
National Fear of Failure	1.00	0.01	1.01	0.02	1.00	0.01
Insolvency Time	1.19	0.25	1.41 **	0.24	1.39 **	0.22
<i>Main Effects</i>						
Stigma			1.84	1.28	2.30	1.53
Regulatory Conveyance			1.31 **	0.14	1.18 **	0.10
<i>Interaction Effects</i>						
Stigma X Reg. Conveyance					3.37 ***	1.27
2LL	-1094.34		-1085.05		-1077.67	
Wald Chi ²	148.96 ***		170.45 ***		274.8 ***	
Pseudo R ²	0.039		0.048		0.054	
ΔR ²			0.009		0.006	

(*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$)

TABLE 6 Regression Models of Sole Owner Reentry

	MODEL 1		MODEL 2		MODEL 3	
	Odds Ratio	Std. Err.	Odds Ratio	Std. Err.	Odds Ratio	Std. Err.
(N=2607; 23 Country Clusters)						
Constant	0.07 ***	0.03	0.08 ***	0.03	0.08 ***	0.03
<i>Individual Control Variables</i>						
Start Up Skill	3.77 ***	0.85	3.79 ***	0.83	3.63 ***	0.78
Female	0.56 ***	0.08	0.57 ***	0.08	0.55 ***	0.08
Age	0.99 **	0.01	0.99 *	0.01	0.99 **	0.01
Age Squared	1.00	0.00	1.00	0.00	1.00	0.00
<i>Country Control Variables</i>						
GDP Growth	0.97	0.03	0.97	0.03	0.97	0.03
National Fear of Failure	1.00	0.01	0.99	0.01	1.01	0.01
Insolvency Time	1.04	0.11	0.94	0.09	0.91	0.08
<i>Main Effects</i>						
Stigma			0.29 **	0.13	0.17 ***	0.07
Regulatory Conveyance			0.88	0.12	0.96	0.09
<i>Interaction Effects</i>						
Stigma X Reg. Conveyance					0.25 **	0.12
2LL	-820.31		-815.11		-808.26	
Wald Chi ²	64.84 ***		95.83 ***		121.54 ***	
Pseudo R ²	0.040		0.046		0.054	
ΔR ²			0.006		0.008	

(*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$)

TABLE 7 Regression Models of Corporate Reentry

	MODEL 1		MODEL 2		MODEL 3	
	Odds Ratio	Std. Err.	Odds Ratio	Std. Err.	Odds Ratio	Std. Err.
(N=2607; 23 Country Clusters)						
Constant	0.07 ***	0.04	0.10 ***	0.04	0.10 ***	0.04
<i>Individual Control Variables</i>						
Start Up Skill	1.63 **	0.39	1.62 **	0.37	1.51 *	0.34
Female	0.58 ***	0.09	0.59 ***	0.09	0.57 ***	0.09
Age	0.98 ***	0.01	0.98 ***	0.01	0.98 ***	0.01
Age Squared	1.00	0.00	1.00	0.00	1.00	0.00
<i>Country Control Variables</i>						
GDP Growth	0.99	0.04	0.99	0.04	0.98	0.04
National Fear of Failure	0.98	0.02	0.98	0.02	1.00	0.02
Insolvency Time	1.40	0.29	1.19	0.18	1.16	0.16
<i>Main Effects</i>						
Stigma			0.53	0.28	0.22 **	0.12
Regulatory Conveyance			0.78	0.12	0.93	0.11
<i>Interaction Effects</i>						
Stigma X Reg. Conveyance					0.15 **	0.09
2LL	-804.08		-797.85		-784.97	
Wald Chi ²	41.76 ***		46.78 ***		46.44 ***	
Pseudo R ²	0.034		0.042		0.057	
ΔR ²			0.008		0.016	

TABLE 8 Regression Models of Autonomous Reentry

	MODEL 1		MODEL 2		MODEL 3	
	Odds Ratio	Std. Err.	Odds Ratio	Std. Err.	Odds Ratio	Std. Err.
(N=2607; 23 Country Clusters)						
Constant	0.21 ***	0.06	0.21 ***	0.06	0.21 ***	0.06
<i>Individual Control Variables</i>						
Start Up Skill	2.11 ***	0.29	2.11 ***	0.28	2.07 ***	0.28
Female	0.67 ***	0.08	0.67 ***	0.08	0.66 ***	0.08
Age	0.99 **	0.01	0.99 **	0.01	0.99 **	0.01
Age Squared	1.00	0.00	1.00	0.00	1.00	0.00
<i>Country Control Variables</i>						
GDP Growth	0.97 *	0.02	0.97	0.02	0.97	0.02
National Fear of Failure	1.00	0.01	1.00	0.01	1.01	0.01
Insolvency Time	0.83 **	0.05	0.83 **	0.06	0.82 **	0.06
<i>Main Effects</i>						
Stigma			0.49 **	0.12	0.43 ***	0.10
Regulatory Conveyance			1.04	0.06	1.07	0.06
<i>Interaction Effects</i>						
Stigma X Reg. Conveyance					0.62 **	0.14
2LL	-1045.33		-1041.74		-1040.66	
Wald Chi ²	79.71 ***		202.63 ***		218.15 ***	
Pseudo R ²	0.027		0.030		0.031	
ΔR ²			0.003		0.001	

(*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$)