

6-11-2016

THE STIGMA OF FAILURE AND GROWTH ASPIRATIONS: A CROSS-COUNTRY ANALYSIS (SUMMARY)

Chong Kyoong Lee
Syracuse University, USA, cle15@syr.edu

Recommended Citation

Lee, Chong Kyoong (2016) "THE STIGMA OF FAILURE AND GROWTH ASPIRATIONS: A CROSS-COUNTRY ANALYSIS (SUMMARY)," *Frontiers of Entrepreneurship Research*: Vol. 36 : Iss. 11 , Article 9.
Available at: <https://digitalknowledge.babson.edu/fer/vol36/iss11/9>

This Summary is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized editor of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.

≈ SUMMARY ≈

THE STIGMA OF FAILURE AND GROWTH ASPIRATIONS: A CROSS-COUNTRY ANALYSIS

C.K. Lee, Syracuse University, USA

Principal Topics

It is widely accepted that entrepreneurs with growth aspirations are an importance source to drive economic growth and job creation (Stam et al., 2007). Although the prevalence of the entrepreneurs with growth aspirations varies significantly across countries, we still know little about the factors that induce the national difference. Prior research has tended to focus on institutional factors which influence the expected outcome when ventures face upside. However, entrepreneurs also concern institutional factors if ventures face downside. One force that has been shown in prior research to influence entrepreneurial entry decisions is the stigma of failure (Damaraju et al., 2010). Moreover, Shepherd, Wiklund, and Haynie (2009) highlight the negative implication of the stigma of failure, such as financial loss and emotional distress. Thus, the aim of this research is to investigate the question, to what extent does the stigma of entrepreneurial failure influence the growth aspirations of entrepreneurs?

Method

To test the effect of country-level stigma on individual-level entrepreneurial growth aspirations, we use logistic regression with clustering option based on 424,811 individuals in 29 countries. For the dependent variable, individuals' growth aspirations, we rely on Global Entrepreneurship Monitor data. For the independent variable, we use a key indicator of entrepreneurial failure from prior research: the stigma associated with bankruptcy (Simmons et al., 2014). The stigma of bankruptcy is constructed from survey data collected by the European Commission. The moderating variable accessibility of credit information is constructed from the World Bank Doing Business database. We also control for various individual- and country-level factors.

Result and Implications

Building on the real options theory, we predict that the stigma of failure induces the selection effect such that individuals with higher growth aspirations are more likely to be entrepreneurs. Moreover, we predict that easier accessibility of information regarding failed business strengthen the relationship and that the selection effect is more prominent in low stigma environments than in high stigma environments. Our analysis supports our predictions. By being the first to examine the impact of the stigma of failure on entrepreneurial growth aspirations, it responds to recent calls for consideration of the context in examining entrepreneurial growth aspirations (Stenholm et al., 2013).

CONTACT: Chong Kyoong LEE; clee15@syr.edu; (T): +1-347-294-9401; Whitman School of Management, Syracuse University, 721 University Ave, Syracuse NY, 13244, USA.