Attributes of legitimate venture failure impressions

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A B S T R A C T

The current research investigates the effectiveness of impression management strategies available to entrepreneurs to foster social legitimacy with stakeholders following venture failure. We use a conjoint experiment to examine how different attributions of causes of failure influence the general public's legitimacy judgments. The most effective strategy proves to be the entrepreneurs distancing themselves from the failure, in that they attribute the failure to external factors that are not under the entrepreneurs' volitional control, and brought about by circumstances that are unlikely to reoccur. Our analysis also considers how the audience members' dispositional agreeableness and general self-efficacy influence judgment formation.

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Executive summary

Recent entrepreneurship research promotes impression management strategies as an important means of minimizing the risk of social stigmatization following venture failure. Successful impression management strategies create socially legitimate failure impressions that support the entrepreneur's future career actions, and so enhance emotional recovery and learning from failure. Impression management strategies can be applied in private settings in interaction with the target audience, and also in public settings, where the target audience is diverse and opportunities for interaction are limited. The lack of interaction makes public post-failure impression management particularly challenging: The impression created by the first explanation of how and why the venture failed is difficult to change subsequently. This research addresses the gap in our knowledge of how entrepreneurs can present venture failure in a way that enhances their legitimacy in the eyes of a public audience.

We address this gap by using a conjoint experiment to investigate how observers from the general public judge the legitimacy of different impressions of entrepreneurial failure. The principal finding of our study is that the most effective impression management strategies for garnering legitimacy judgments from the public are those where entrepreneurs distance themselves from the failure. These *distance-taking impressions* ascribe the cause of failure to forces that are external to the entrepreneur/firm, not under the entrepreneur's volitional control, and subject to circumstances that are unlikely to reoccur. However, we demonstrate that the observer's characteristics influence how they perceive *distance-taking impressions*. Individuals with a high level of dispositional agreeableness (an interpersonal trait) approve failure impressions that ascribe the main cause of failure to external factors more than do individuals scoring low on this trait. On the other hand, individuals with high levels of self-efficacy (a personal trait) disapprove of impressions that ascribe venture failure to external causes, in contrast to individuals with low levels of self-efficacy, who are far less likely to do so. The results also point to the central role of stability in evaluations of legitimacy: whether the cause of failure is described as transient (it could not happen again)

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or enduring over time (it could happen again) influences legitimacy evaluations not only directly but also, for example, by modifying the relationship between legitimacy evaluations and ascribing the cause of failure to internal/external causes.

Our work offers several important contributions: First, we extend the legitimacy judgment theory (Bitektine, 2011) with attribution theory (Heider, 1958) to not only explain *how* public observers make evaluative legitimacy judgments but also *which* dominant attributions influence those judgments. This framework allows us to explain the effectiveness of impression management strategies for public audiences. Second, we contribute to the entrepreneurship literature on post-failure impression management (Shepherd and Haynie, 2011; Singh et al., 2015) by providing the first empirical evidence of the effectiveness of different public impression management strategies. Our findings correspond to two impression management strategies outlined in Shepherd and Haynie's (2011) conceptual framework: *denying responsibility* and *defining failure in a positive light*. Both of these strategies aim to minimize social stigma by fostering a positive self-view that symbolically decouples the failure from the entrepreneur. Third, we complement the research on learning from entrepreneurial failure (Cope, 2011; Shepherd et al., 2011) by theorizing on the lack of learning opportunities as a potential drawback of impression management strategies based on distance-taking. Finally, we advance the evaluator perspective on entrepreneurial failure (Shepherd and Patzelt, 2015) by demonstrating how different attributions of the cause of failure affect the general public's evaluative legitimacy judgment of the failure in interaction with the evaluator's dispositional agreeableness and general self-efficacy.

1. Introduction

Social stigmatization following venture failure can create substantial psychological, economic, and social costs for the entrepreneur (Cardon et al., 2011; Shepherd and Patzelt, 2015; Ucbasaran et al., 2013). Entrepreneurship scholars have increasingly investigated impression management strategies that enable entrepreneurs to create legitimate failure impressions as a means of mitigating the stigma of failure (Shepherd and Haynie, 2011; Singh et al., 2015). Impression management strategies reflect tactical self-presentations that aim to protect the individual's current image or foster a new, desired image (Goffman, 1959; Kowalski and Leary, 1990; Sutton and Callahan, 1987). Successful impression management strategies create socially appropriate failure impressions that build a legitimate base for future career actions (Semadeni et al., 2008; Weisenfeld et al., 2008; Zimmerman and Zeitz, 2002), support emotional recovery (Byrne and Shepherd, 2015; Mantere et al., 2013), and facilitate learning from failure (Cope, 2011; Shepherd, 2003; Shepherd et al., 2011). The legitimacy gained and social stigma avoided through the successful application of impression management strategies can also boost the individual's motivation and confidence to re-enter entrepreneurship (Simmons et al., 2014).

Goffman (1959) distinguishes between back-stage and front-stage impression management. Back-stage settings involve a limited target audience, such as are found in meetings with board members or employees (Elsbach, 2003; Gardner and Martinko, 1988), or when pitching business ideas to investors (Nagy et al., 2012; Parhankangas and Ehrlich, 2014). These settings offer entrepreneurs the opportunity to interact closely with their audience and to address how others evaluate venture failure (Bolino et al., 2008). In contrast, front-stage settings are characterized by a broad and diverse target audience including not only the failed venture's stakeholders but also stakeholders with an important role in the entrepreneur's future, such as potential employers, investors, and customers, who may as yet be unknown to the entrepreneur (Carter, 2006; Leary, 1994; Morrison and Bies, 1991). In such settings, opportunities for interaction are limited, and it is therefore important for entrepreneurs that the first public explanations of their venture failure create a favorable impression suitable for a diverse audience (Elsbach, 1994; Semadeni et al., 2008). Despite recent advances in impression management research in entrepreneurial contexts (e.g., Nagy et al., 2012; Parhankangas and Ehrlich, 2014; Shepherd and Haynie, 2011), we have limited knowledge of how entrepreneurs can present venture failure in a way that enhances their legitimacy with public audiences.

The present study addresses this gap by using a conjoint experiment to investigate how observers from among the general public judge the legitimacy of different impressions of entrepreneurial failure. Presenting a failure impression to the general public represents the challenge of garnering legitimacy judgments from a diverse population of stakeholders who are potentially important yet indefinable at the time. From an audience-centered perspective, evaluative legitimacy judgments of failure impressions represent a public sounding board to review the effectiveness of impression management (Elsbach, 1994; Lounsbury and Glynn, 2001; Morrison and Bies, 1991; Überbacher, 2014). The study was conducted with 601 participants from the German adult population. Following legitimacy judgment theory (Bitektine, 2011), the participants were asked to judge the social appropriateness of eight failure impression scenarios (Zimmerman and Zeitz, 2002), and two participant characteristics measured in a post-experiment survey were included as moderators of the conjoint experiment: agreeableness (interpersonal trait) (Graziano et al., 2007) and self-efficacy belief (personal trait) (Bandura, 2012). The failure impression scenarios varied in terms of three dominant attributions of failure derived from attribution theory (Heider, 1958; Weiner, 2000): whether the failure was caused by factors internal or external to the entrepreneur (the locus of causality); whether the factors leading to the failure were under the entrepreneur's control or not (controllability); and whether the cause of failure could or could not happen again (stability).

Our work generates four contributions. First, we extend the legitimacy judgment theory (Bitektine, 2011; Bitektine and Haack, 2015) with attribution theory (Heider, 1958; Weiner, 2000) to not only explain *how* observers from the general public make evaluative legitimacy judgments but also *what* dominant attributions influence those judgments, be it positively or negatively. This framework allows us to explain the effectiveness of impression management strategies for the general public (Goffman, 1959; Morrison and Bies, 1991), by arguing which attributes of a failure impression lead to the evaluator judging a failure event "acceptable" or "normal" (Cardon et al., 2011: 80).