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VENTURE FAILURE, STIGMA, AND IMPRESSION MANAGEMENT: A SELF-VERIFICATION, SELF-DETERMINATION VIEW

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We offer a theoretical basis for understanding how and to what end entrepreneurs employ impression management strategies in response to the negative attributions associated with the stigma of venture failure. Our framework offers counterintuitive insights into why some entrepreneurs stigmatized by failure will use impression management strategies to align their conception of self with how others perceive them—even if that means adopting a negative view of self. Our model highlights a potential paradox related to competing individual (the entrepreneur) and organizational goals, with regard to actions positioned to enhance the psychological well-being of the failed entrepreneur. Copyright © 2011 Strategic Management Society.

INTRODUCTION

Venture creation represents the foundation of entrepreneurship (Gartner, 1988). More often than not, however, new ventures fail. Recently, the implications of organizational failure have been the subject of heightened scholarly interest (Minniti and Bygrave, 2001; Shepherd, 2003) and much of this research has assumed a psychological lens to consider how failure may impede or propel future entrepreneurial behaviors and outcomes (Sitkin, 1992). In fact, 'why some individuals respond to failure negatively, with feelings of dejection and loss of motivation, whereas others respond more positively, with heightened motivation to succeed' has been a defining theme of the failure literature (Johnson, Vincent, and Ross, 1997: 385).

Like much of the extant research on failure in the management and entrepreneurship literatures, we adopt a psychological lens as the foundation of our theorizing. However we focus that lens in a new and novel way, considering the implications of the stigma associated with venture failure on the psychological well-being of the entrepreneur. Stigma refers to 'some attribute or characteristic that conveys a social identity that is devalued in a particular context' (Crocker, Major, and Steele, 1998: 505). People can be stigmatized in a variety of social categories: a professional athlete who uses performance-enhancing drugs bears the stigma of 'cheater'—and a child who disrupts the classroom, a 'trouble-maker.' As the passage that opens this article highlights, one of the most stigmatized business outcomes is failure. Stigma—in any context—often represents a threat to social identity. How individuals respond to such threats has been typically investigated through frameworks grounded in social identity theory (Ashforth and Mael, 1989; Maltby and Day, 2003), impression management theory (Elsbach, 1994; Sutton and Callahan, 1987; Tedeschi, 1981), narcissism (Brown, 1997), or some

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combination of these theories (for an example, see Elsbach and Kramer, 1996). However, across each of these disparate frameworks is a common thread: the implicit assumption is that individuals will go to great lengths to maintain a positive view of self in response to the negative attributions of others. Brown (1997: 645) writes that 'individuals have a need to maintain a positive sense of self, and they engage in ego-defensive behavior to preserve self-esteem.' Thus, the assumption that has been adopted in the literature is that generally, in response to threats to a positive self-view, individuals take actions designed to bolster others' impressions of them and maintain a positive self-identity.

However, there is evidence that runs counter to this closely held assumption. Some individuals appear to take actions to reduce others' impressions of themselves, in order to cultivate a negative self-identity. For example, across a series of studies it was found that individuals with a negative self-view: (1) preferred to interact with evaluators who had an unfavorable impression of them, as opposed to evaluators who assumed a favorable impression of the individual (Swann, Stein-Seroussi, and Giesler, 1992); (2) were more likely to opt for separation or divorce from a partner who held a positive view of them than a negative view (Cast and Burke, 2002); and finally (3) were more likely to make plans to find a new roommate when the roommate held a more favorable impression of them than a less favorable impression of them (Swann and Pelham, 2002).

In this article, it is our purpose to offer a theoretical basis for understanding how and to what end impression management strategies are employed by entrepreneurs, in response to the negative attributions associated with the stigma of failure. Specifically, we develop a self-verification, self-determination framework of impression management that suggests counterintuitive insights into why some entrepreneurs stigmatized by business failure will use impression management strategies to defend a positive self-view, while others will engage in strategies positioned to diminish, rather than improve, their conception of self as perceived by others. Self-verification theory asserts that people want to be known and understood by others, according to their firmly held beliefs and feelings about themselves (Swann, 1983). Self-determination theory is a theory of motivation suggestive that people are motivated to behave in ways that are healthy and socially effective (Deci and Ryan, 1985; 2000). Ultimately, we relate the use of impression management strategies in response to failure based in self-verification and self-determination, to the psychological well-being of the focal entrepreneur. We focus our theorizing on entrepreneurs of bankrupt firms, because bankruptcy signals a failing venture (D'Aveni, 1990; Moulton and Thomas, 1993) and speaks directly to the entrepreneurial identity of creating organizations and creating value to grow firms. As such, bankruptcy represents an ideal context in which to develop a model positioned to investigate the identity management strategies adopted by those stigmatized by bankruptcy. Doing so, we make three primary contributions.

First, scholars have demonstrated that individuals use impression management strategies to 'manage' the identity threat purported to accompany stigma (Clair, Beatty, and MacLean, 2005; Fothergill, 2003; Hebl and Dovidio, 2005). And while we have a sound understanding of the types of strategies employed, there is much less understanding about the effectiveness of these strategies (for an exception, see Semadeni *et al*. (2008) on the effectiveness of staying with a bankrupt firm), the conditions that would dictate the use of one strategy over another, and the role of impression management in resolving the identity-threat conflict arising from bankruptcy. In our theorizing, we explicitly consider these linkages, focusing on the relationship between the selection of impression management strategies and the entrepreneurs' psychological well-being. Second, it is believed that impression management strategies are used to build or maintain a positive view of self in the eyes of others (Dutton, Dukerich, and Harquail, 1994; Mael and Ashforth, 1992). However, there is evidence that some people—in some contexts—use impression management strategies to *lower* others' impressions of themselves (Swann, 2005). We offer an explanation of why and to what end some entrepreneurs of failed ventures employ impression management strategies as a means to interact with others who will reinforce their own negative self-views. Third, although bankruptcy is a common phenomenon and the entrepreneur is typically blamed for this negative firm outcome (D'Aveni and MacMillan, 1990; Lawless and Warren, 2005), not all individuals adopt a negative self-view (Crocker and Major, 1989; Frable, Platt, and Hoey, 1998). We explain this heterogeneity of the impact of bankruptcy on the entrepreneurs' self-view which, in turn, helps explain variance in the impression management strategies entrepreneurs use to enhance their psychological well-being.

In this article, we first present the boundary conditions that are assumed by our theorizing and then provide a review of the literature focused on the notion of stigma as it relates to the business phenomena of bankruptcy. We then introduce our self-verification model of stigma—again in the context of bankruptcy—and offer propositions that relate the impression management strategies employed by the entrepreneur to his or her psychological well-being. Finally, we offer a concluding discussion focused on the implications of our model for future research and practice.

FAILURE, STIGMA, AND OUTCOMES

Boundary conditions

We develop our model of impression management in response to failure in the context of bankruptcy. We acknowledge that many failed ventures may not seek (or be in a position to seek) bankruptcy protection, however we choose bankruptcy as the context for our theorizing for the following reasons: (1) bankruptcy signals a failing venture (D'Aveni, 1990; Moulton and Thomas, 1993); (2) bankruptcy speaks directly to the foundations on ones' identity as an entrepreneur based in venture creation; and (3) historically there exists a strong stigma associated with bankruptcy that has been demonstrated to have negative implications for the psychological well-being of those stigmatized. Such a focus allows us to bound our theorizing in the context of a *failing venture* (as opposed to a declining or 'troubled' firm) and also provides for the opportunity to draw upon past research on the stigma of bankruptcy to inform our theorizing with regard to impression management in response to failure. This said, we acknowledge several boundary conditions for our theorizing.

First, there are numerous organizational events that could lead an entrepreneur to be stigmatized, for example, sexual harassment at work (Pomerenke, 1998), downsizing (Clair and Dufresne, 2004), or a sanction for inappropriate accounting procedures (Neu and Wright, 1992). We focus on the stigma of bankruptcy because it goes to the core of what it means to be an entrepreneur—the entrepreneurial identity. The role expectation of entrepreneurs (held by stakeholders and by entrepreneur themselves) is to create and grow a venture where returns are maximized across the spectrum of organizational stakeholders—employees, stockholders, and the society at large. A minimum step toward successfully realizing this role expectation is keeping the organization alive. Bankruptcy represents an indication of a failing firm and a major step toward organizational decline and death (Moulton and Thomas, 1993). Bankruptcy is an event that strikes a blow to the core of an entrepreneurial identity. Although it is reported that some venture capitalists view business failure as a badge of honor (Landier, 2004), many other stakeholders view it as a blight on an entrepreneur's record, making it more difficult and/or more costly to access capital (Lee, Peng, and Barney, 2007). This stigma is attributed by others regardless of whether the failure was caused by the entrepreneur or is stigma by association (Kulik, Bainbridge, and Cregan, 2008; Neuberg *et al*., 1994).[1] Second, we acknowledge that the strategies employed by the entrepreneur to respond to the negative attributions of failure can have organizational- and individual-level effects. Further, we recognize that these individual and organizational effects are likely related. However, given that the reorganization of Chapter 11 is rarely effective (Moulton and Thomas, 1993) and that the stigma of bankruptcy remains with the entrepreneur even after the organization has died (Fama, 1980; Semadeni *et al*., 2008), we focus on the individual level of analysis. At the individual level of analysis, we consider perceived or felt stigma and the different impression management strategies employed toward managing that stigma on the psychological well-being of the (potentially) stigmatized entrepreneur. This focus is consistent with a tradition in the stigma literature of focusing on the psychological outcomes for the stigmatized (e.g., Crocker and Major, 1989, 2003; Frable *et al*., 1998). Third, most studies of self-esteem have focused on trait self-esteem (Crocker and Park, 2004), but we are most interested in the pursuit of state self-esteem (Crocker *et al*., 2003; Crocker, Sommers, and Luhtanen, 2002; Crocker and Wolfe, 2001). Finally, consistent with D'Aveni (1990: 123), our discussion of Chapter 11 bankruptcy excludes those filings that form part of a 'legal strategy to void onerous and labor contracts, to fight hostile takeover attempts, or to cope with major product or antitrust liability suits.'

[1] In this article, we do not make any value statements on the appropriateness of the stigma.

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Bankruptcy and stigma

More than 33,000 U.S. small business owners sought protection from their creditors under the provisions of federal bankruptcy statutes in 2009 (June 2008 to June 2009) and among them there is a shared sense of relief that the nature of the stigma associated with bankruptcy has evolved from what it was at the turn of the century. At that time, those who filed for bankruptcy were viewed with disdain and strong contempt by society and were 'routinely degraded and humiliated in public' (Efrat, 2006: 366). In Colonial America, 'bankrupts were forced to sit in public and place baskets over their heads. In other instances, they were required to bang their buttocks on a rock before a heckling crowd, or wear disgusting clothes in public' (Efrat, 2006: 366). Although the stigma associated with bankruptcy today is different in nature and character from these early examples, entrepreneurs of bankrupt firms are still often stigmatized—and such stigma has profound implications on the individual and the venture. The passage that opens this article graphically illustrates the effect of bankruptcy on the entrepreneur's social identity and is consistent with an antifailure bias that exists in society (McGrath, 1999).[2] Entrepreneurs of bankrupt firms are perceived as deviant; that is their conduct is 'deemed to deviate from traditional accepted social moral norms' (Efrat, 2006: 367). Thus they are tainted—stigmatized—by employees, creditors, suppliers, customers, and other important business stakeholders (Sutton and Callahan, 1987).

In most countries, there are a number of bankruptcy categories, for example in the U.S. there are three categories (Chapter 11, Chapter 7, and Chapter 13). Consistent with Sutton and Callahan (1987), we focus on bankruptcy for reorganization (Chapter 11 bankruptcy), because the entrepreneur must continue to interact with the firm's constituents. These are the very same constituents that represent the context in which the entrepreneur is stigmatized. The stigmatized entrepreneur (and his or her firm) likely faces negative reactions from these parties, which will be reflected in disengagement from the stigmatized entrepreneur, reduction in the quality of participation with the stigmatized entrepreneur, less favorable exchange relationships, and denigration. Each of these outcomes can further accelerate the decline of the organization (Sutton and Callahan, 1987) and works to further threaten the entrepreneur's social identity (Crocker and Major, 1989; Crocker *et al*., 1998; Major and O'Brien, 2005)—in essence, compounding and extending the bankruptcy stigma. Therefore, a Chapter 11 bankruptcy is more public and there is more publicly available information surrounding the event than there is for a product failure or being fired from one's job.

For the venture, survival beyond bankruptcy (reorganization) is often dependent upon the continued support of key stakeholders. The stigma of bankruptcy strains these relationships, causing some to withdraw their support for the failing/failed venture. Stakeholders may withdraw their support because they perceive the entrepreneurs of the bankrupt firm as blameworthy and, thus, tainted and incompetent individuals (Salancik and Meindl, 1984; Sutton and Callahan, 1987). The potential for stigma (or perceived stigma) leads many entrepreneurs to take actions that further accelerate the decline of the organization (D'Aveni and MacMillan, 1990). For example, to potentially avoid the stigma of bankruptcy, entrepreneurs with high industry prestige often leave the failing organization for a better performing organization (D'Aveni, 1990). This 'bailout,' coupled with the difficulty a declining organization has in attracting similar quality replacements (Cyert, 1978), provides a signal to creditors that they too should withdraw their support from the declining firm. Researchers have also found that many entrepreneurs have a difficult time psychologically distancing themselves from the failures of 'their' firm and, thus, choose not to leave the organization before bankruptcy; however individuals who stay often pay a personal cost as a result of diminished future opportunities (Fama, 1980). For example, in a study of executives employed by bankrupt and nonbankrupt Texas banks, Semadeni *et al*. (2008) found that executives who remained with financially distressed firms suffered negative labor market consequences, such as demotion. This job insecurity diminishes psychological well-being (Caplan *et al*., 1975; Dijkhuizen, 1980; Mohr, 2000). Given these generally negative implications associated with bankruptcy stigma, studies have highlighted strategies that individuals use to minimize its negative consequences.

Sutton and Callahan (1987) proposed that the stigmatized use a variety of impression management strategies, presumably in the hope of eliminating or minimizing the stigma of bankruptcy. The strategies

[2] McGrath (1999) refers to avoidance of failure as an 'antifailure bias' because it encourages ineffective strategies for managing uncertainty that makes failure more likely and more costly.

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were: (1) concealing, (2) defining in a positive light, (3) denying responsibility, and (4) withdrawing (we consider *accepting responsibility* as the 'flip side' of denying responsibility). Sutton and Callahan (1987) were clear that the purpose of their model was *not* to explain the effectiveness of these impression management strategies. It is, however, the purpose of our model to focus on the effectiveness of impression management strategies; specifically, we consider 'effectiveness' in the context of the relationship between impression management and the psychological well-being of the entrepreneur. '*Psychological well-being'* refers to the extent to which an individual experiences self-acceptance, positive relations with others, autonomy, environmental mastery, purpose in life, and personal growth (Ryff, 1989).

FAILURE STIGMA: A MODEL OF IMPRESSION MANAGEMENT

As illustrated in Figure 1, our failure stigma model is focused on the antecedents of an entrepreneur's self-view in response to failure stigma, as a bridge to gain a deeper understanding of the impact of impression management strategies employed following bankruptcy, on psychological well-being. There is heterogeneity among entrepreneurs with regard to their self-view after facing a bankruptcy event. This heterogeneity in self-view can be explained by the extent of the entrepreneur's organizational identification, perceived environmental favorability, and attributes of the management team. This self-view helps explain the impact of impression management strategies—avoiding interactions with specific stakeholders, seeking to change the opinion of specific stakeholders, and seeking interactions with specific stakeholders—on the entrepreneur's psychological well-being, based on the mechanisms related to satisfying of the psychological needs for competence, relatedness, and autonomy.

Bankruptcy and an entrepreneur's self-view

Entrepreneurs often hold a positive self-view. This positive self-view can be a source of confidence and actions that help attract hardworking employees and financial backers. It can also signal commitment to stakeholders and competitors (Hayward *et al*., 2009), but it is also a source of hubris (Hayward, Shepherd, and Griffin, 2006). However, bankruptcy represents a crisis (D'Aveni, 1990) that has the potential to negatively impact entrepreneurs' self-views. For example, Lancaster (2002) found that after facing bankruptcy one entrepreneur said:

> As anyone who has suffered through a business failure can tell you, the aftermath isn't pretty. You're wallowing in debt (often money that you've mooched from friends and relatives), your self-esteem has nose-dived into the depths, your future is in grave doubt and

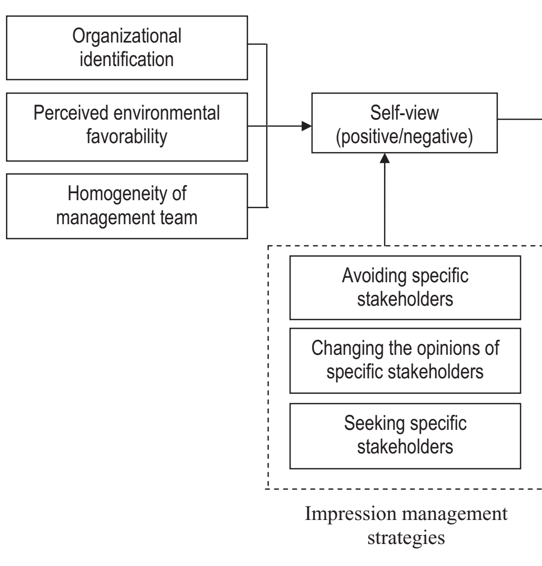

Figure 1. The psychological well-being of impression management strategies after bankruptcy

> everyone around you is giving you that Elephant Man look—equal parts pity, revulsion, and fear.

We rely on the extensive literature on self-esteem to explain why some entrepreneurs are more likely to have a negative self-view arising from failure events than others. Following Crocker and others (i.e., Crocker *et al.*, 2002; Crocker *et al.*, 2003), we propose that the vulnerability of the entrepreneur's self-view to the identity threat inherent in failure stigma depends on contingent self-worth, blame, and social isolation.

Failure at a task (and the stigma that may accompany that failure) may or may not impact an individual's self-esteem. Self-esteem refers to the feeling that 'one is an object of primary value in a world of meaningful action' (Becker, 1971: 71). The most powerful threat to self-esteem comes as a result of 'failure in domains in which their self-worth is contingent' (Niiya, Crocker, and Bartmess, 2004: 801). For example, in a study of college seniors applying to graduate programs, Crocker *et al*. (2002) found that those students who invested more of their self-esteem in academic competence had increased self-worth on days they were accepted by graduate programs and decreased self-worth on days they were rejected. Similar results were found for college students whose self-worth was contingent on academics when they received worse-than-expected grades on exams and papers (Crocker *et al.*, 2003).

People often define their self-worth by how they perform at work (Kreiner and Ashforth, 2004; Pierce *et al.*, 1989). As a result of high contingent self-worth, entrepreneurs have a negative emotional reaction to their firm performing poorly. For example, Sutton and Callahan (1987: 421) described the impact of bankruptcy on one individual: 'Tom was extremely nervous. He cleared his throat over and over again. He chained smoked. He was hunched over. His hands and voice trembled. And he made an odd sort of hissing noise over and over. He looked psychologically beaten.' Despite entrepreneurs' high contingent self-worth, there is likely some variability in the extent to which failure in the form of bankruptcy impacts his or her self-view. Extant scholarship suggests that the entrepreneur's self-view after organizational bankruptcy likely depends on the extent to which the entrepreneur's identity is (1) intertwined with the organization, (2) intertwined with the bankruptcy of that organization, and (3) intertwined with the similar, stigmatized others.

The extent to which the entrepreneur's identity is intertwined with the organization is captured by the notion of organizational identification. Organizational identification is 'a perceived oneness with an organization and the experience of the organization's successes and failures as one's own' (Mael and Ashforth, 1992: 103).[3] That is, the manager and the firm share an identity (Wan-Huggins, Riordan, and Griffeth, 1998); they 'adopt the defining characteristic of the organization as a defining characteristic for themselves' (Dutton *et al*., 1994: 242). Entrepreneurs and employees are more likely to identify with organizations that are perceived positively by outsiders (Lipponen *et al*., 2005; Wan-Huggins *et al*., 1998) and bask in that glory (Cialdini *et al*., 1976; Dutton *et al*., 1994). Ultimately, we are suggesting that contingent self-worth—in the context of how and with what impact failure will translate to a negative self-view—is a function of the extent to which one identifies with the organization. Once the entrepreneur has identified with the organization, an increase in the prestige of the organization enhances the entrepreneur's feelings of self-worth (Carmeli, Gilat, and Waldman, 2007; Dutton *et al*., 1994; Haslam, 2004). However, if that shared identity is tainted, changed, or terminated, the entrepreneur will experience 'some psychic loss' (Ashforth and Mael, 1989: 23) and diminished self-worth (Chreim, 2002; Corley and Gioia, 2004). Dutton *et al*. (1994: 254) noted that 'when people strongly identify with their work organization their sense of survival is tied to the organization's survival.' Thus, the entrepreneur is more likely to develop a negative self-view if he or she strongly identifies with the business at the time of failure and thus,

> *Proposition 1: There is an inverse relationship between organizational identification and self-view after business failure, such that the higher the organizational identification, the more negative the self-view.*

Although 'there is universal agreement that management will receive most of the blame for poor organizational performance' (Sutton and Callahan, 1987: 413), this may not extend to the individual blaming him or herself. That is, regardless of whether or not their identity is intertwined with that of the

[3] Organizational identification is conceptually (Ashforth and Mael, 1989) and empirically (Gautam, Van Dick, and Wagner, 2004) separate from organizational commitment.

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organization, some entrepreneurs are likely able to separate their identity from the failure event that lead to the bankruptcy. Indeed, it is well documented that individuals attempt to deceive themselves to protect their self-esteem. When facing failure at a task, individuals often demonstrate attribution bias—attributing good outcomes to their own abilities and poor outcomes to external sources beyond their control (Baumeister, 1998; Blaine and Crocker, 1993; Greenberg and Pyszczynski, 1985). These attempts to protect self-esteem interfere with learning and mastery (Covington, 1984; Deci and Ryan, 2000; Dweck, 2000). For example, negative feedback is perceived as a threat to self-esteem rather than an opportunity to learn and improve (Crocker and Park, 2004). Blaming others is one way to protect self-esteem, but it obstructs learning. Therefore, while others may blame the entrepreneur for bankruptcy, it does not necessarily mean the entrepreneur engages in self-blame.

However, not all entrepreneurs will exhibit an attribution bias. 'Since managers are socialized to believe that they should be able to control the fate of an organization, they may view their firm's financial troubles as a personal failure regardless of the expectations of audience members' (Sutton and Callahan, 1987: 421). The extent that individuals believe they are responsible for the negative outcome, they have lowered self-esteem (Brewin and Furnham, 1986; Crocker and Major, 1994; Tennen and Herzberger, 1987) and, thus, a more negative self-view (Blaine and Crocker, 1993). Entrepreneurs are likely to believe that they are less responsible for a firm's bankruptcy (1) when the firm is more vulnerable to negative external environmental shocks and (2) when, by the very nature of the firm, it is more vulnerable to failure. It is this vulnerability that allows the entrepreneur to separate (at least partly) his or her identity from the failure event (perceived separation, whether or not others also hold this belief). For example, in terms of the external environment, firms are more vulnerable to poor performance (and thus Chapter 11 bankruptcy) when they lose external legitimacy (Hamilton, 2006) or are in an environment of high uncertainty (McGrath, 1999) and/or one that undergoes a fundamental change (e.g., regulative changes (Gruca and Nath, 1994) and other transformational events (Fischer and Pollock, 2004)).

Even within a specific environment, newer and smaller firms are more vulnerable to poor performance and bankruptcy. That is, new and small firms face additional challenges not faced by older and larger firms. New firms have additional challenges in establishing roles and responsibilities with strangers within the firms and creating routines (Aldrich, 1999; Gong, Baker, and Miner, 2004; Stinchcombe, 1965). They also have the challenge of building legitimacy with external resource providers, including buyers and suppliers (Choi and Shepherd, 2005; Stinchcombe, 1965). Small firms also face challenges to survival with lower levels of slack to buffer the firm from external shocks and difficulty in being noticed and taken seriously by customers, suppliers, and employees (Aldrich and Auster, 1986; Appelbaum *et al*., 2000). The entrepreneur has only limited control to manage the firm's age, and there is little that most firms can do over the short term to increase their size in any substantial way (Aldrich, 1979).

Under such 'hostile' conditions (environment and/or firm level), similar firms also suffer poor performance, and the entrepreneur is likely to blame him or herself less for the bankruptcy and maintain a positive self-view. Thus, the entrepreneur is more likely to develop a negative self-view if he or she experienced failure in the face of favorable environmental conditions, thus:

Proposition 2: There is an inverse relationship between environmental favorability and self-view after business failure, such that the more favorable the environmental conditions, the more negative the self-view.

A consistent finding in the stigma literature is that those with concealable stigmas have lower self-esteem than those with nonconcealable stigmas (Crocker and Major, 2003). In a study of 978 undergraduate students, Frable, Platt, and Hoey (1998: 909) found that those with 'concealable stigmas (students who indicated that they were gay, they were bulimic, or that their families earn less than $20,000 each year) reported lower self-esteem and more negative affect than both those whose stigma were visible and those without stigmatizing characteristics.' An explanation for this finding is that concealable stigmas do not provide the individual the opportunity to finding similar others—the individual is not apparent to similar others and similar others are not recognizable to the stigmatized. For the stigmatized, associating with similar others can lift their self-esteem. Although the precise mechanism for this relationship remains unclear (Frable *et al*.,

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1998), it appears that associating with similar others may provide a number of important benefits that help raise the stigmatized's self-view. For example, associating with similar others can reduce isolation and enhance belonging (Frable, 1993; Suls and Wan, 1987), help put the stigma in context to reduce its scope (Fine and Asch, 1988; Groce, 1985), and provide information on how to negotiate potentially problematic social contexts (Dunkel-Schetter and Wortman, 1982; Padden and Humphries, 1988) and other self-protective strategies (Crocker and Major, 1989; Steele, 1992).

The question of whether bankruptcy can be defined as a concealable or unconcealed stigma is less important than determining the extent to which the entrepreneur of the bankrupt firm has the opportunity to associate with similar others. For example, some individuals who are stigmatized by their engagement in 'dirty work' (such as butchers, prison guards, and bill collectors) are able to maintain a positive self-identity (Ashforth and Kreiner, 1999) by creating a social environment that provides validation for one's perceptions, including those of self (Rowley *et al*., 1998). For entrepreneurs stigmatized with bankruptcy, finding similar others is difficult. Unlike with 'dirty workers' and many other stigmatized individuals, there is not a clear clustering of the stigmatized into a group. For example, unlike miners, prison guards, and exotic dancers who work in close proximity to each other, and funeral directors, dentists and casino entrepreneurs who form associations and attend conferences, entrepreneurs of bankrupt firms may find it difficult to interact with other entrepreneurs of bankrupt firms.

Although it may be difficult to associate with similar entrepreneurs from other bankrupt firms, it is possible to associate with other entrepreneurs within the entrepreneur's current firm. Although some entrepreneurs jump ship before bankruptcy (D'Aveni, 1990; Semadeni *et al*., 2008) and stockholders may wish to replace others, it is difficult for a firm in bankruptcy to recruit new managers (Cyert, 1978; D'Aveni, 1989), and the existing managers may find it difficult to leave (Fama, 1980). Therefore, the entrepreneur and others remaining in the bankrupt firm must still work together to try and reorganize the firm. But their continued association with each other may reduce feelings of isolation and help each other put the stigma of bankruptcy in a larger 'life' context and share information about how to best handle certain social situations and effective self-protective strategies.

The more similar an entrepreneur is to others in the management team, the greater the level of interaction, the greater the sharing of information (Makela, Kalla, and Piekkari, 2007), and the less the feelings of isolation (Bat-Chava, 1994; Rowley *et al*., 1998). Entrepreneurs are typically part of a management team that varies in size and make up in terms of age, functional background, education, other career experiences, and socioeconomic roots (Hambrick and Mason, 1984). Interpersonal similarity breeds a connection between these individuals (Brass, 1995; Ibarra, 1993). That is, to the extent that the entrepreneur has others in the management team that are similar in culture (ethnicity, nationality, and religion), genetics (i.e., gender, age, and kinship), and/or behavior (i.e., education, occupation, social class, abilities, attitudes, values) (Makela *et al*., 2007: 3; McPherson, Smith-Lovin, and Cook, 2001), he or she will be able to share experiences related to the bankruptcy.[4] Therefore, at a given level of self-blame for the failure, entrepreneurs face heterogeneity in opportunities to share information and avoid isolation.[5] Thus,

Proposition 3: There is an inverse relationship between the homogeneity of the management team and the entrepreneur's self-view after business failure, such that the more homogenous the management team, the more negative his or her self-view.

In the next section, we review the application of the impression management strategies for bankruptcy stigma proposed by Sutton and Callahan (1987). Importantly, we focus on the impact of these impression management strategies on the entrepreneur's psychological well-being. However, the nature and effectiveness of these strategies in enhancing psychological well-being likely depends on the entrepreneur's self-view—the individual's firmly held beliefs and feelings about him or herself (Swann, 1983)—and do so through the mechanisms of the satisfaction or thwarting of the psychological needs for competence, relatedness, and autonomy. As we established earlier, there is likely heterogeneity in entrepreneurs' self-views after their firms enter bankruptcy such that some are likely to hold a

[4] See Suitor, Pillemer, and Keeton (1995) on similarity in experiences with status transition.

[5] Team characteristics can also influence the assignment of blame (Ruchala, Hill, and Dalton, 1996).

negative self-view. Building on the integration of self-verification and self-determination theories, we offer a model focused on the psychological effectiveness of strategies for dealing with bankruptcy stigma. Self-verification theory asserts that people want to be known and understood by others, according to their firmly held beliefs and feelings about themselves (Swann, 1983). Self-determination theory is a theory of motivation suggestive that people are motivated to behave in ways that satisfy their psychological needs for competence, relatedness, and autonomy (Deci and Ryan, 1985; 2000). We begin with impression management strategies that are consistent with the notion of self-enhancement and self-verification for those with a positive self-view. We then move on to impression management strategies that are consistent with self-verification for those with a negative self-view.

An entrepreneur's positive self-view, stigma strategies, and psychological well-being

Sutton and Callahan (1987) conducted an inductive study of managers stigmatized by business failure by interviewing multiple informants of four computer companies that had filed for Chapter 11 bankruptcy. Through these interviews, they were able to highlight four impression management strategies these individuals used that were designed to maintain a positive self-view in the eyes of firm stakeholders. Impression management refers to 'any behavior that alters or maintains a person's image in the eyes of another and that has as its purpose the attainment of some valued goal' (Villanova and Bernardin, 1989: 299). It appeared that individuals presumably chose the impression management strategy they believed best avoided, or minimized, the stigma of bankruptcy. We will next summarize each strategy.

The *strategy of concealing* involves the entrepreneur allowing others to remain ignorant about his or her condition; that is, in the case of bankruptcy, concealing from others that the firm is engaged in bankruptcy proceedings. Concealment strategies can be active or passive. Passive concealment means that the stigmatized entrepreneur does not take steps to inform others of the bankruptcy filing. Active concealment refers to the entrepreneur taking steps to obstruct the flow of information about the bankruptcy reaching others, such as employees or other entrepreneurs, or misrepresenting the firm's financial condition to creditors through deception (Johnson, Grazioli, and Jamal, 1993; Sutton and Callahan, 1987).

The *strategy of defining in a positive light* involves the entrepreneur acknowledging that something has happened, but helping others see the events from a more favorable perspective. For example, the entrepreneur could define Chapter 11 bankruptcy in a way that neutralizes its negative connotations, such as 'many great companies use Chapter 11 to reorganize themselves to successfully compete in the future' or define it as a unique event (a perfect storm) that is unlikely to again impact the organization (Martin *et al*., 1983; Sutton and Callahan, 1987).

The *strategy of denying responsibility* means the entrepreneur acknowledges 'that something discrediting has occurred but denies responsibility for the occurrence' (Sutton and Callahan, 1987: 427). There is substantial evidence that CEOs of poorly performing firms blame others or external events. For example, in a study of 67 organizations over a 22-year period, Boeker (1992) found that powerful chief executives displaced *blame* for poor performance onto their subordinates and the other top managers of the organization. Gooding and Kinicki (1995) also found evidence of self-serving attribution biases in *entrepreneurs'* interpretations of events with negative outcomes.

Finally, the *strategy of withdrawing* refers to the entrepreneur avoiding interactions with those who will likely hold and communicate a negative view of them. For example, entrepreneurs may withdraw from a financially distressed firm as a means to dissociate themselves from the negative implications of bankruptcy (Semadeni *et al*., 2008). Entrepreneurs who choose to remain with the bankrupt firm may limit social engagements and public appearances and become reclusive.

Each of these strategies has an implicit, normative implication toward mitigating the threat to one's self-view that may result from the bankruptcy stigma. We build directly on these impression management strategies in the context of failure stigma and explore the consequences of each on the psychological well-being of the entrepreneur. Based in self-determination theory, the impact of impression management strategies on psychological well-being is grounded in the individual's needs for competence, relatedness, and autonomy (Deci and Ryan, 2000; Sheldon, Ryan, and Reis, 1996; Reis *et al.*, 2000).

White (1959) was the first to describe a psychological need for competence. The need for compe-

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tence is typically satisfied as a result of feedback in response to some behavior or action; positive feedback that signifies effectiveness works to satisfy the need for competence, whereas negative feedback in response to some behavior or action convey ineffectiveness and tends to thwart the psychological need for competence (Deci and Ryan, 2000). In the face of bankruptcy, the impression management strategies we've described can each be employed toward mitigating the extent that bankruptcy thwarts the psychological need for competence. For example, to conceal a bankruptcy serves to shortcut the potential for negative feedback in response to one's role in the failed venture. By avoiding negative feedback, the entrepreneur is able to avoid information that conveys ineffectiveness and, therefore, he or she can be perceived as competent. Similarly, strategies based in defining the bankruptcy in a positive light, denying responsibility, and withdrawing each work to enhance the psychological well-being of the entrepreneur by mitigating the potential for negative feedback that thwarts the entrepreneur's psychological need for competence.

Psychological well-being is also positively related to satisfying the entrepreneur's need for relatedness. Relatedness refers to feeling connected to, and understood by, others (Deci *et al*., 1994). People feel better when they belong to a group—when they are related to others (Baumeister and Tice, 1990; McAdams, 1985; McAdams and Bryant, 1987). Entrepreneurs of firms feel related to the other entrepreneurs and employees within the venture (Jones, Felps, and Bigley, 2007; Ravasi and Schultz, 2006) as well as to other stakeholders, including owners, buyers, and suppliers (Fried and Hisrich, 1995; Lorenzoni and Lipparini, 1999). This need for relatedness is likely thwarted when others find out about the firm's bankruptcy, when they define bankruptcy as a poor outcome, and when they attribute the poor outcome to the entrepreneur.

With such a determination, others often take steps to dissociate themselves from the stigmatized individual by disengaging from the relationship, reducing the quality of exchange in the relationship, and even denigrating the individual (Sutton and Callahan, 1987). Impression management strategies can help sustain the satisfaction of the entrepreneur's need for relatedness. That is, by concealing the bankruptcy, defining it in a way that neutralizes its negative connotations, or denying responsibility for the bankruptcy, the entrepreneur may be able to avoid the situation where others' disengage from the relationship with him or her, ensure there is a high quality of participation with existing relationships, and make sure they are not excluded from the 'in-group' through denigration. Even the strategy of withdrawing can help the entrepreneur avoid denigration via confrontations and, whether in denial or not, the entrepreneur is able to avoid feedback that informs him or her of exclusion.

Psychological well-being is also enhanced as a function of perceived autonomy. Autonomy refers to personal control and in work settings is defined as the employee's ability to decide when, where, and how the job or task is to be performed (Bailyn, 1993; Thompson and Prottas, 2006). The more stigmatized the entrepreneur, the less likely it is that stakeholders will trust the entrepreneur with the day-to-day operations of the organization; this lack of trust will lead to covenants and procedures imposed to minimize entrepreneurial discretion akin to a governance mechanism. The impression management strategies are used to avoid, or minimize, stigma (Sutton and Callahan, 1987) and, thus, can help maintain the entrepreneur's satisfaction of the need for autonomy.

By using impression management strategies, entrepreneurs can (hope to) maintain a favorable impression of themselves in the eyes of important stakeholders. When others hold a favorable impression of the entrepreneur, they are more likely to provide cues that help satisfy the entrepreneur's needs for competence, relatedness, and autonomy. There is evidence that people who have a positive self-view prefer to interact with others who hold a favorable impression of them (Swann, Stein-Seroussi, and Giesler, 1992) and attempt to change the minds of those who hold a negative impression of them (Curtis and Miller, 1986; Swann and Hill, 1982). These impression management strategies are tools that bankrupt firms' entrepreneurs can use to maintain or obtain a positive impression in others' eyes. Therefore, entrepreneurs with positive self-views can employ impression management strategies based in concealing, defining in a positive light, denying responsibility, and withdrawing to maintain self-esteem and maximize psychological well-being in the face of bankruptcy stigmatization. Thus,

Proposition 4a: Impression management strategies based on avoiding interactions with stakeholders who attribute failure to the stigmatized entrepreneur will enhance the psychological well-being of entrepreneurs who hold a positive self-view in response to failure.

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Proposition 4b: Impression management strategies based on seeking to change the opinions of stakeholders who hold an unfavorable impression of the stigmatized entrepreneur will enhance the psychological well-being of entrepreneurs who hold a positive self-view in response to failure.

Proposition 4c: Impression management strategies based on seeking interactions with stakeholders that hold a positive impression of the stigmatized entrepreneur will enhance the psychological well-being of entrepreneurs who hold a positive self-view in response to failure.

A negative self-view, stigma strategies, and psychological well-being

The theorizing we've presented is based on the assumption that entrepreneurs facing the stigma of bankruptcy maintain a positive self-view; that is, the venture's failure does not challenge their own closely held, positive feelings and beliefs about themselves. Therefore, they respond to the threat of stigma by engaging in impression management to align the view of others with their own positive self-view. Recall, however, that in opening this article we highlighted research that suggested that more often than expected entrepreneurs accepted, rather than denied, responsibility for the bankruptcy and assumed a negative view of self in response to the failure and associated stigma (Sutton and Callahan, 1987). Thus, while not all stigmatizing events lead the stigmatized to have a negative self-view (Crocker and Major, 1989), in the next section we specify the conditions when this is most likely. Differences in self-view in response to failure are important because the central tenants of self-verification theory is that people are motivated and take actions that confirm their own feelings and beliefs with regard to self, and they also seek out and interact with others who share their self-view. That is, people are motivated to stabilize their self-view (Lecky, 1945; Secord and Backman, 1965) through a series of active behavioral and cognitive activities (Swann, 2005). They look for psychological coherence between what they believe to be true about themselves and what others perceive to be fact. Such actions presumably cut to the core of the research focus of the entrepreneurial failure literature—'why some individuals respond to failure negatively, with feelings of dejection and loss of motivation, whereas others respond more positively, with heightened motivation to succeed' (Johnson, Vincent, and Ross, 1997: 385).

The primary goal of self-verification strategies is to confirm self-views, including confirming a negative self-view. This perspective is consistent with research on self-definition where it is proposed that people need a stable definition of self within a given situation to function effectively (Erez and Earley, 1993; Schwalbe and Mason-Schrock, 1996; Ashforth and Kreiner, 1999: 417). This has implications for the nature of the stigma management strategies. That is, rather than use the impression management strategies to maintain or build a favorable impression of themselves in other's eyes, those who hold a negative self-view will use these impression management strategies to enhance psychological well-being by: (1) seeking others who hold a negative view of them; (2) changing the impression of those who hold a favorable impression of them; and (3) fleeing contexts that do not verify their negative self-view. We build our counterintuitive proposition for impression management strategies that effectively deal with bankruptcy stigma based on a foundation of previous psychological experiments.

First, people who hold a negative self-view seek to associate and interact with others who hold a negative impression of them as well. For example, Swann *et al.* (1992) found that individuals who had a negative self-views preferred evaluators who had an unfavorable impressions of them versus evaluators who had favorable impressions of them. One individual commented that the positive evaluator 'sounds good,' but the negative evaluator 'seems to know more about me' (Swann *et al*., 1992). By seeking others who share one's negative self-view, individuals look to construct a self-confirming social environment (McCall and Simmons, 1996).

The entrepreneur of a bankrupt firm who has a negative self-view can use impression management strategies to seek others who also hold a negative view of them. For example, the entrepreneur may conceal positive aspects of the bankruptcy, such as the potential to reduce burdensome overhead costs that are highly beneficial to future performance. He or she may agree with others' definition of bankruptcy and its associated negative outcomes and connotations and agree with those who believe it was caused by entrepreneurial incompetence.

Individuals with negative self-views—in situations where they must engage with others who hold a favorable impression of them—often engage in actions to change people's impressions from positive

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to negative. For example, when individuals with negative self-views receive positive evaluators' assessments, they actively tried to change the evaluators' assessments to bring them in line with their own negative self-views (Swann and Ely, 1984). These actions were undertaken to correct others' misconstrued notions of them. Doing so engaged the other party in a way that would ultimately elicit self-confirmatory feedback (Curtis and Miller, 1980).

Entrepreneurs of bankrupt firms who hold negative self-views can use impression management strategies to change others' favorable impressions of them to negative impressions. For example, entrepreneurs can tell others who hold positive views of them the serious nature of the bankruptcy. That is, they can define the bankruptcy as an indication of a failing firm and say that while it provides firms the opportunity to reorganize, very few successfully do so. The entrepreneur could also accept responsibility for the bankruptcy to disavow the notion that it was another person's fault or it was beyond his or her control. By convincing others that the bankruptcy was his or her fault, the entrepreneur is able to change the opinion of those who had previously held a positive impression. Furthermore, the entrepreneur could denigrate him or herself to lower others' impressions. For example, he or she could make jokes at one's own expense.

Individuals who hold negative self-views can flee contexts that do not verified this negative view. For example, Swann and Pelham (2002) found that college students who held negative self-views were more likely to terminate roommate relationships if the roommate held favorable impressions of them. Similarly, workers who held negative self-views preferred to remain in jobs that provided no raises and preferred leaving those jobs with increasing wages (Swann, 2005). Entrepreneurs holding negative self-views can use the strategy of withdrawing from the groups that hold a positive view of the entrepreneur, especially when those positive impressions are difficult to change. For example, the entrepreneur may withdraw from social settings and support groups within the organization. This may include withdrawing from family and friends who may hold an 'unshakable' positive impression of the entrepreneur. The impression management strategies are used to self-verify the entrepreneur's negative self-view and are not used to build a more positive self-esteem by maintaining or creating a positive impression of oneself in others' eyes. Engaging in impression management strategies that self-verify the entrepreneur's negative self-view can enhance his or her psychological well-being.

First, the psychological need for competence is not so much the need to be perceived by others as competent. Rather this need is satisfied by the ability and willingness to learn from one's experiences (Pyszczynski *et al*., 2004). Mistakes and failings can be important learning sources (Shepherd, 2003; Sitkin, 1992). However, the use of impression management strategies that attempt to maintain or build a favorable impression of oneself in others' eyes can interfere with learning and mastery (Covington, 1984; Deci and Ryan, 2000; Dweck, 2000) when the perception that negative performance (negative feedback) is a threat to self-esteem, rather than the outlook that feedback (negative and positive) is a source of learning new knowledge and improving one's competence (Dweck, 2000). Thus, an environment that gives 'realistic' and 'truthful' feedback (at least from the perspective of the receiver of the feedback) is a source of information for building one's competence (London and Smither, 1999). For example, managers who seek negative feedback are in a better position to understand how others evaluate their work (Ashford and Tsui, 1991)—and therefore have greater opportunities to learn and enhance competence—than managers who seek solely positive feedback. Although negative feedback can decrease perceived current competence at a task (Deci and Ryan, 1985), when the feedback provides a feeling that one is building competence, it can help satisfy the psychological need for competence.

Second, satisfying the psychological need for relatedness is not a matter of being liked by others. Satisfaction of this need involves close, mutually caring and supporting relationships (Crocker and Park, 2004)—it involves giving and receiving (Baumeister and Leary, 1995; Collins and Feeney, 2000; Deci and Ryan, 2000). The use of impression management strategies to maintain or create a favorable impression of self in others' eyes, when one does not believe it to be 'true,' hinders the development of a close relationship because it promotes oneself at the expense of others (Park and Crocker, 2003). As a result, using impression management strategies to maintain or create a favorable impression can lead to isolation (Deci and Ryan, 1995; Pyszczynski *et al*., 2004). Do we really feel like we belong to a group when the group inaccurately perceives who we are? It persists like a concealed stigma creating isolation (Frable *et al*., 1998; Frable, 1993; Suls and Wan, 1987). Having others see us as we really

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are provides an opportunity to more readily identify like others. Impression management strategies that self-verify provide the basis for an 'authentic' mutual relationship. It is this quality of the relationship (rather than quantity of relationships) that fosters psychological well-being (for a review, see Nezlek, 2000).

Finally, autonomy is also positively associated with authentic relationships with others (Crocker and Park, 2004; Hodgins, Koestner, and Duncan, 1996). Impression management strategies to maintain and build a favorable impression in the eyes of others eventually thwart the satisfaction of the need for autonomy for those entrepreneurs who have a negative self-view. It requires them to engage in such behavior because of what they feel they have to do rather than what they want to do and, as a result, they feel pressure and tension (Deci *et al*., 1994). Although both impression management strategies that self-enhance and those that self-verify in the short run require actions that could be considered to constrain autonomy, impression management strategies that verify one's negative self-view eventually allow the entrepreneur to interact with people who 'really see them as they are' and can take ownership of the problem. By doing so, they no longer feel like they are at the mercy of internal and external demands beyond their control. Rather, they can take ownership of the situation and over what needs to be done going forward. This enhances the entrepreneur's feeling of autonomy.

Thus, ultimately, the relationship between impression management and psychological well-being is one of alignment; that is, whether one assumes a positive or negative self-view in response to failure, psychological well-being will be enhanced through the use of impression management strategies that eventually align the views of others with the self-view of the stigmatized individual. Thus,

Proposition 5a: Impression management strategies based on avoiding interactions with stakeholders who hold a positive impression of the stigmatized entrepreneur will enhance the psychological well-being of the entrepreneur who holds a negative self-view in response to failure.

Proposition 5b: Impression management strategies based on seeking to change the opinions of stakeholders who hold a favorable impression of the stigmatized entrepreneur will enhance the psychological well-being of the entrepreneur who holds a negative self-view in response to failure.

Proposition 5c: Impression management strategies based on seeking interactions with stakeholders who attribute failure to the stigmatized entrepreneur will enhance the psychological well-being of the entrepreneur who holds a negative self-view in response to failure.

DISCUSSION AND CONCLUSION

Building on an integration of self-verification and self-determination theories, our theorizing proposes an explanation of the heterogeneity inherent in the psychological effectiveness of impression management strategies employed by entrepreneurs following (or in response to) bankruptcy. Entrepreneurs of failed ventures employ impression management strategies to verify their self-views. The use of impression management strategies to verify a *positive self-view* is consistent with literatures on impression management (Elsbach, 1994; Sutton and Callahan, 1987; Tedeschi, 1981), identity (Curtis and Miller, 1986; Swann and Hill, 1982), and, specifically, the stigma of bankruptcy (Semadeni *et al*., 2008; Sutton and Callahan, 1987).

The primary contributions of our model arise from the deviations from this perspective. Not all entrepreneurs face bankruptcy and its associated stigma from the perspective of a positive self-view. We have suggested a set of conditions that are likely to result in the entrepreneur stigmatized by bankruptcy to be more likely to adopt a negative view of self; entrepreneurs of bankrupt firms are more likely to have negative self-views if they identified strongly with the organization (organizational identification), if the environment and organizational conditions were favorable such that the entrepreneurs blamed themselves for the bankruptcy, and/or there were no or few similar others with whom to share information about the stigma of bankruptcy. The implications of impression management strategies, assuming a negative self-view, are not well understood.

To begin, our model suggests a testable set of conditions that relate to the likelihood that an entrepreneur will adopt a negative self-view following a bankruptcy event. These conditions highlight compelling areas of future research. For example, we proposed that high levels of organizational identification—in the face of failure and bankruptcy—is likely to result in the entrepreneur adopting a negative self-view. That said, organizational identification has been demonstrated to be positively related

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to firm performance and growth (Lee, 1971). Thus, our model suggests a potential 'dark-side' of organizational identification that is less explored in the literature, especially given that entrepreneurs may have a particularly high organizational identification.

Assuming a negative self-view, the motive is not to build or maintain self-esteem, rather it is to associate with others who serve the function of verifying one's negative self-view. Impression management can be used to help them achieve this purpose. That is, impression management is used by entrepreneurs who hold a negative self-view to find and/or alter others' impressions so that they hold a negative impression of the entrepreneur. This *seemingly* counterproductive behavior, we suggest, actually has positive effects on the psychological well-being of the entrepreneur. For example, impression management used by entrepreneurs to verify their negative self-view enhances psychological well-being, because by interacting with others who the entrepreneur believes 'see them as they really are,' they are able to receive, and are open to, negative feedback related to the failure of the venture. Such openness to feedback positions the entrepreneur to develop 'authentic' relationships based on give and take, and the authenticity of the interactions provides the entrepreneur a greater sense of control. In other words, entrepreneurs who hold negative self-views after bankruptcy use impression management to create unfavorable impressions in the eyes of others to help satisfy their psychological needs for competence, relatedness, and autonomy. This counterintuitive proposition highlights potentially compelling avenues for future research related to the intersection of the individual and the organization.

For example, our model suggests a potential paradox related to competing individual (the entrepreneur) and organizational goals. For an organization working toward emerging from bankruptcy and continuing as a viable business entity, an entrepreneur employing impression management strategies to verify a negative view of self is likely counterproductive in terms of the organization's goals. That said, our model suggests that such impression management strategies—assuming a negative self-view—serve the individual well at least in the sense of enhancing his or her psychological well-being. The cross-level implications of this paradox represent a future research opportunity. In a related way, the implications of our model in situations where a top management team—as opposed to a central, individual entrepreneur—is responsible for the crafting of impression management strategies in response to failure represents a compelling avenue for future research that builds from our theorizing.

One of the boundary assumptions inherent in our model is a focus on the individual entrepreneur as the central target of failure stigma. However, because entrepreneurs are typically part of a founding/management team (Hambrick and Mason, 1984), it is often likely to be the case that the stigma associated with failure extends to members of that team. In such situations, we would hypothesize that impression management strategies take on a 'sensemaking' function *within* the management team; that is, impression management actions and behaviors serve the purpose of informing the 'group narrative' that will eventually represent the attributional 'story' to be associated with the bankruptcy stigma. This group narrative, in turn, represents the basis for externally focused (outside the management team) impression management strategies and actions. Our theorizing, focused on the role of impression management for the entrepreneur, can serve as the basis for future research positioned to develop this multilevel process model.

Further, the use of impression management strategies described in this article contrasts with an implicit assumption in the literature that all entrepreneurs are motivated to maintain or build a favorable impression with others. We highlight a motivation to build an unfavorable impression with others and why the pursuit of self-esteem by those with a negative self-view after bankruptcy will likely further diminish psychological well-being. This strategy of using impression management to verify a negative self-view serves to complement a small, but important, stream of literature focused on 'trying to look bad at work' (e.g., Becker and Martin, 1995). In this literature, impression management is used to convey an unfavorable impression by, for example, 'playing dumb' (Gove, Hughes, and Geerken, 1980; Leary and Kowalski, 1990). Indeed, in a phone interview with 2,247 workers, 25 percent reported playing dumb on occasion. We complement this research by adding an additional motive for this behavior. Rather than engaging in this form of impression management to avoid onerous tasks or averse outcomes (Becker and Martin, 1995; Leary and Kowalski, 1990; Leary and Miller, 1986), individuals may also engage in impression management to verify their negative self-view.

Another potentially impactful avenue for future research would be to consider the implications for our model if the stigma associated with bankruptcy and failure were to be 'rejected' by the individual; that is, if the stigmatized individual (others' perception) does not internalize the experience of possessing a social identity devalued by others. In some ways, this situation—in terms of implications for learning and well-being—may be analogous to a situation where the socially undesirable stigma is 'concealed' by the individual. This situation has been the subject of much research in psychology (Jones *et al*., 1984; Pachankis, 2007) and, in such situations, impression management is central to the individual's strategy with regard to social function. Importantly, research in this area has demonstrated profoundly negative implications for well-being and social functioning for those who use impression management to conceal a social identity devalued by others (Lane and Wegner, 1995). Such a finding is complementary to our theorizing with regard to the relationship between well-being and efforts to align one's own self-view with the view held by others. In the case of stigma being 'rejected' by the individual, however, it is likely that impression management strategies (which are 'other focused') are replaced by identity management strategies (which are self-focused) as a strategy to maintain foundational levels of psychological well-being. Future research can consider how (and to what end) such mechanisms may be employed in cases where individuals do not internalize the experience of possessing a social identity devalued by others, like the stigma of failure.

Finally, we suggest that there are opportunities to extend and develop additional nuances inherent in the relationship between the entrepreneur's self-view, stigma, and impression management in a way that adds robustness to the foundational model proposed in this article. For example, it is likely that if start-up funding for a failed venture came from family and friends, the entrepreneur's self-view—and, in turn, the impression management strategies employed—may be different in comparison to failure situations where the source of start-up capital was a bank or other 'arm's length' source. In a similar way, other potential variables representative of such factors like environmental conditions, prior failure experiences, community ties, and family business origins may represent attributes that inform the nature of the self-view assumed by the failed entrepreneur—and, thus, represent opportunities to further extend and further the relationships suggested by our model. Many of the opportunities we've cited can also be informed and specified further as researchers empirically investigate some or all of the propositions developed in this article. Such research could begin with validated measures from the psychology literatures, for example, existing measures of psychological well-being and life satisfaction (Diener *et al*., 1985) and impression management strategies (Kroner and Weeks, 1996). Further, the variables offered as antecedents to the entrepreneur's self-view after bankruptcy—organizational identification (Edwards and Peccei, 2007) and environmental hostility (Covin and Slevin, 1989; Dess and Beard, 1984)—are well established in the management literature.

In conclusion, we suggest that the theory building developed in this article makes a meaningful contribution toward advancing our understanding of how, and with what impact, venture failure impacts the psychological well-being of the entrepreneur. Based on our self-verification, self-determination model of the impression management strategies employed by those stigmatized by business failure, we offer counterintuitive insights into why some entrepreneurs stigmatized by business failure will use impression management strategies to diminish, rather than improve, their conception of self as perceived by others. This *seemingly* counterproductive behavior, we suggest, actually has positive effects on the psychological well-being of the entrepreneur. Our self-verification, self-determination framework opens the door to understanding the psychological implications of venture failure on the entrepreneur in a way that offers insight into the foundational question that represents the basis for much of the entrepreneurial failure research; that is 'why some individuals respond to failure negatively, with feelings of dejection and loss of motivation, whereas others respond more positively, with heightened motivation to succeed' (Johnson *et al*., 1997: 385).

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