

Damaraju, Naga Lakshmi; Barney, Jay B.; Dess, Gregory G.

Article

Cultural influences on stigma of failure and entrepreneurial activity

Organization Management Journal (OMJ)

Provided in Cooperation with:

Eastern Academy of Management (EAM) and Southwest Academy of Management (SWAM)

Suggested Citation: Damaraju, Naga Lakshmi; Barney, Jay B.; Dess, Gregory G. (2023) : Cultural influences on stigma of failure and entrepreneurial activity, Organization Management Journal (OMJ), ISSN 1541-6518, Emerald, Leeds, Vol. 20, Iss. 5, pp. 197-209, <https://doi.org/10.1108/OMJ-01-2023-1711>

This Version is available at:

<https://hdl.handle.net/10419/338195>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0/>

Cultural influences on stigma of failure and entrepreneurial activity

Naga Lakshmi Damaraju

*Department of Management, School of Business and Economics,
Sonoma State University, Rohnert Park, California, USA*

Jay B. Barney

*Department of Entrepreneurship and Strategy, University of Utah, Salt Lake City,
Utah, USA, and*

Gregory G. Dess

*Department of Organizations, Strategy and International Management,
The University of Texas at Dallas, Richardson, Texas, USA*

Cultural
influences on
stigma of
failure

197

Received 19 January 2023
Revised 3 May 2023
Accepted 1 August 2023

Abstract

Purpose – This paper aims to draw from research on culture, stigma and entrepreneurial activity to hypothesize that the relationship of stigma with the level of entrepreneurial activity differs by the dimensions of national culture, i.e. individualism, masculinity, uncertainty avoidance and power distance.

Design/methodology/approach – The hypotheses were tested with data from 15 countries spanning over a 15-year period. Poisson regressions were used.

Findings – Results from Poisson regressions supported the hypotheses for the differences based on the “individualism,” “masculinity” and “power distance” dimensions of culture on the relationship between stigma of failure and entrepreneurial activity. However, the hypothesis for the differences based on the “uncertainty avoidance” dimension of culture was not supported.

Originality/value – Fostering entrepreneurship has been important for several countries around the world. A number of factors influence the phenomenon of entrepreneurship. In this paper, research in the areas of culture, stigma and entrepreneurship is brought together to explain how the stigma of failure may be intensified or mitigated in different cultural contexts. The results suggest that policies and attempts to alleviate stigma of failure for promoting entrepreneurship need to consider the complex interactions occurring within the cultural contexts in which entrepreneurs operate. Such initiatives should enhance their effectiveness.

Keywords Culture, Entrepreneurship, Entrepreneurial failure, Entrepreneurial risk-taking, Stigma of failure

Paper type Research paper

© Naga Lakshmi Damaraju, Jay B. Barney and Gregory G. Dess. Published in *Organization Management Journal*. Published by Emerald Publishing Limited. This article is published under the Creative Commons Attribution (CC BY 4.0) licence. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this licence may be seen at <http://creativecommons.org/licenses/by/4.0/legalcode>

The authors thank Professors Sharon Alvarez (University of Pittsburgh), Sharon Matusik (University of Michigan), Nandini Rajagopalan (University of Southern California) and Saras Sarasvathy (University of Virginia), Professor Shaker Zahra (University of Minnesota), faculty of Indian School of Business, and the reviewers and invitees of several AOM and SMS conferences, for their valuable insights and comments on earlier versions of this paper. The authors also thank Ms Saritha Dasari for her research assistance.



Organization Management Journal
Vol. 20 No. 5, 2023
pp. 197-209
Emerald Publishing Limited
e-ISSN: 1541-6518
p-ISSN: 2753-8567
DOI 10.1108/OMJ-01-2023-1711

Introduction

Several scholars are interested in the impact of culture on entrepreneurial activity (Hayton, George, & Zahra, 2002; Klimas, Czakon, Kraus, Kailer, & Maalaoui, 2021). Research shows that collectivistic cultures (McGrath, 1999) and high uncertainty avoidance cultures (Shirokova, Osiyevskyy, & Bogatyreva, 2016) presumably have anti-failure bias/stigma of failure and are less conducive for entrepreneurship. In contrast, there is less stigma for business failures in individualistic cultures and less uncertainty avoidance cultures making them more conducive for entrepreneurship (Lee, Peng, & Barney, 2007).

Whether these studies are at an aggregate country level (Shane, 1992, 1993) or at an individual level (Shirokova et al., 2016), stigma of failure was inferred from the influence of cultural dimensions on entrepreneurial activity (Autio, Pathak, & Wennberg, 2013). However, these cultural dimensions may be influencing the relationship between stigma of failure and entrepreneurial activity, i.e. stigma of failure is a distinct construct and needs to be dealt with distinctly, both theoretically and empirically.

In this paper, drawing upon relevant research on stigma (Goffman, 1963; Pinker, 1971), culture (Hofstede, 1980) and entrepreneurship (Hayton et al., 2002), hypotheses are developed for the moderating influences of individualism, masculinity, uncertainty avoidance and power distance dimensions of culture on the relationship between stigma of failure and entrepreneurial activity. These hypotheses were tested using a unique data set of pooled cross-sectional data from 15 countries in the time frame of 2000–2014. The results from Poisson regressions support the influence of individualism, masculinity and power distance dimensions. The often-assumed influence of uncertainty avoidance was not supported. This paper helps us rethink the factors driving entrepreneurial activity across countries/cultures and highlights the need for more research in this direction (Cumming, Sapienza, Siegel, & Wright, 2009).

Background literature and hypotheses development

Erving Goffman's classic work, *Stigma: Notes on the Management of a Spoiled Identity* (1963), spawned extensive research on the nature, causes and consequences of stigma. Originally, the Greek word "stigma" was used for physical signs indicating something bad or unusual about the moral status of a person, e.g. a slave, traitor or a criminal. This word acquired more of a socio-psychological meaning over time and came to signify "a quality of social dishonor: a mark of degradation, loss of esteem, or loss of reputation" (Spicker, 1984, p. 159). Stigmatized people get discredited in others' minds, which creates a discrepancy between their characters – actual and perceived (Goffman, 1963), which also affects those around them.

Stigma and entrepreneurial activity

Failure is a common source of stigma in many cultures and organizations. This failure may be about accomplishing an assigned task, maintaining loyalty to a cause or successfully executing a business plan, among others (Spicker, 1984). There can be direct and indirect effects, e.g. failure to execute a business plan may directly lead to short-term financial challenges and failure at an innovation can cause innovation trauma (Valinkangas, Hoegl, & Gibbert, 2009). There can also be stigma with longer-term economic and psychological consequences.

Entrepreneurship is characterized by relatively high levels of failure (Schumpeter, 1934). Where failure is stigmatized, people may pursue risk-averse, nonentrepreneurial activities (Shepherd, Wiklund, & Haynie, 2009; Stevenson & Jarillo, 1990). Individuals avoid settings that have the potential to cause stigma and, in extreme cases, some people even commit

suicide to escape the burden of stigma (Macintyre, 1999). For all these reasons, previous research mostly posited a negative relationship between stigma of failure and the level of entrepreneurial activity in a culture/organization.

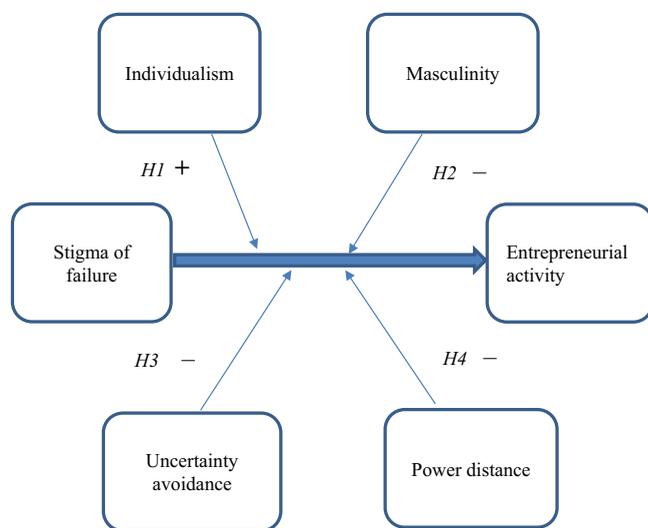
Stigma, national culture and entrepreneurial activity

Entrepreneurial failure may be stigmatized within the culture of a country or of a particular organization (Hayton et al., 2002). The relationships explored in this paper are at a country level. Several scholars examined the relationship between national culture, stigmatization of entrepreneurial failure and entrepreneurial activity in a country (Autio et al., 2013; Simmons, Wiklund, & Levie, 2014; Klimas et al., 2021).

The Global Entrepreneurship Monitor studies report the fear of failure varies across nations (Hindle & Rushworth, 2000). Failure in an individualistic culture like the USA or Canada rarely leads to personal shame or a feeling of personal worthlessness. However, in a collectivist culture like Japan (Tezuka, 1997), top managers of bankrupt firms may resort to committing suicide to avoid stigmatization (Macintyre, 1999).

Hofstede’s taxonomy of cultural dimensions is the foundation for most literature on cultural influences on entrepreneurship (Hofstede, 1980). Four of these cultural dimensions, i.e. individualism–collectivism, masculinity–femininity, high–low uncertainty avoidance and high–low power distance, garnered immense research attention. In the following paragraphs, hypotheses are developed examining the relationship between stigma and the dimensions of national culture together on the levels of entrepreneurial activity in a country. Figure 1 depicts these hypothesized relationships.

Stigma and individualism – collectivism. Stigma of failure likely imposes high social costs on failed entrepreneurs. Cultural characteristics can have an impact on the three critical dimensions of stigma identified by Pinker (1971): depth, time and distance. “Depth” is the extent of awareness and acceptance of the stigma by an individual. “Time” refers to the stigma’s persistence – temporary or permanent. With the increase in the duration, it is



Source: Figure by authors Damaraju, Barney, and Dess

Figure 1. Moderating effects of culture on the relationship between stigma and entrepreneurial

likely that stigma has a stronger impact on an individual's behavior and lifestyle and causes more adjustment problems. "Distance" refers to the social or spatial distance between the stigmatized individuals and the others who perceive them in a negative manner (Pinker, 1971). When the social and spatial distance are less, failed individuals may be easily identified as distinct from others and the stigma is likely to be stronger.

In collectivistic cultures, individuals are trained to consider and place higher importance on group beliefs. Individuals tend to self-categorize and select themselves into "ingroups" and "outgroups." Ingroup members tend to share information, knowledge and resources among themselves and discriminate against perceived outgroup members, use negative language and labels and spread malicious gossip about their behaviors (Xiao & Tsui, 2007). Failed individuals may be perceived as outgroup members and mistreated. They are likely to accept their stigmas to a high degree, increasing the "depth." Also, the values and beliefs of ingroups, and ingroups themselves, change very slowly. This makes it likely that the stigma of failure will be relatively permanent. Owing to ties with family, friends and others, individuals are likely to have less social or spatial distance. The reduced distance might lead to failed individuals being distinctly recognized, thus accentuating their stigmas.

In "individualistic" cultures, others' opinions are not as important, and there is less need for compliance. Individuals move relatively easily in-and-out from groups, and there is greater social and spatial distance between individuals. Stigma may not be as deep, relatively less permanent and failed individuals may not be distinctly identified from others. These differences in the levels of stigma of entrepreneurial failure are offered as reasons why Indians are more entrepreneurial in the Silicon Valley, USA, compared to Bangalore, India [Anna Lee Saxenian interview (Deshpande, 1998)]:

H1. The cultural dimension of individualism positively moderates the relationship between the stigma of failure and entrepreneurial activity.

Stigma and masculinity – femininity. Masculine cultures emphasize ambition, success and wealth (Hofstede, 1980). Achievement is valued greatly, and evidence shows a positive relationship between achievement motivation and innovativeness and entrepreneurship (Collins, Hanges, & Locke, 2004; Rogers, 1983). Entrepreneurial failure will be contrary to the expectations in "masculine" cultures and likely met with high social costs (Damaraju, Barney, & Dess, 2021). Stigma of failure may last for a longer "time," be of greater "depth" and failed individuals may be distinctly identified and kept separate. In feminine cultures, equal treatment, helping individuals and environment preservation are valued highly (Hofstede, 1980). These could manifest in concern for individuals and pardoning their failures. Therefore, stigmas may not last as long or be deep, and failed individuals may be treated more inclusively in feminine culture countries:

H2. The cultural dimension of masculinity negatively moderates the relationship between the stigma of failure and entrepreneurial activity.

Stigma and uncertainty avoidance. Uncertainty avoidance refers to the degree to which individuals prefer to avoid/reduce anxiety by rejecting uncertainty or ambiguity (Hofstede, 1980). This manifests in a variety of ways, e.g. fear of uncertain situations, suppression of ideas and behaviors that do not comply with generally accepted ones and resisting innovation (Steenkamp, Hofstede, & Wedel, 1999) and entrepreneurial activities (Shirokova et al., 2016). An environment of "what is different is dangerous" prevails (Hofstede, 1991, p. 119).

Across countries, research shows high uncertainty avoidance has a negative relationship with the level of entrepreneurship (McGrath, MacMillan, & Scheinberg, 1992), presumably due to fear of failure. In high uncertainty avoidance cultures, failed individuals are more likely to be perceived as outgroup members and likely to accept stigmas to a higher degree (Burchell & Hughes, 2006; Lee et al., 2007) due to heightened sensitivity to sanctions imminent for business failure (Simmons, Wiklund, Levie, Bradley, & Sunny, 2019). With society resisting experimentation, there is less chance for change in individuals' values and beliefs, making it likely that stigma of failure lasts for a longer "time." Failed individuals may likely be distinctly identified to reduce uncertainty associated with their pursuits. In low uncertainty avoidance cultures, failure may be seen as a necessary element of entrepreneurial activity. Stigmas are not likely to last for a long time and may not be strong or deep. With more risk tolerance, failed individuals are unlikely to be distinctly identified or restricted in their pursuits:

H3. The cultural dimension of uncertainty avoidance negatively moderates the relationship between the stigma of failure and entrepreneurial activity.

Stigma and power distance. Power distance is "the extent to which the less powerful members of institutions and organizations accept that power is distributed unequally" (Hofstede & Bond, 1984, p. 419). In high power distance cultures, preserving current status in the social order is emphasized, and failure can lead to lower status and reduced social mobility (Morrison, 2000). Stigma of failure is likely of greater "depth," and with status quo emphasis and lack of social mobility, stigma likely lasts for longer "time." "Successful" and "unsuccessful" individuals may be clearly distinguishable (Damaraju et al., 2021), accentuating the "distance" dimension of stigma. In low power distance cultures, individuals may take on more risks to improve their social status and positions (Shane, 1993). With opportunities for social mobility, stigma of failure may not be deep or last long, and stigmatized individuals may not be easily distanced in these cultures:

H4. The cultural dimension of power distance negatively moderates the relationship between the stigma of failure and entrepreneurial activity.

Methodology

Data and sources

Data were from a variety of sources. Employment statistics by year and by country (i.e. the total employed and the number of self-employed) were from the International Labor Organization. The measure of stigma was obtained from the European Union Flash Barometer surveys on attitudes toward entrepreneurship in different countries (Simmons et al., 2014). GDP growth, population statistics (including life expectancy information), tax rates and levels of unemployment were from the World Bank's World Development Indices. Tax data were manually verified, and worldwide tax summaries by PriceWaterhouseCoopers were used to fill in for missing data. Country-level information about business environment, i.e. credit market controls, business regulation and strength of the legal system and property rights in promoting business in a country, were from The Fraser Institute's Economic Freedom Indices (Gwartney, Lawson, & Hall, 2013). Personal bankruptcy law information (relevant for self-employed) from International Insolvency Institute reports and the legal documents of the respective countries (Damaraju et al., 2021) were used for measuring bankruptcy law stringency. Hofstede's scales were used for

cultural variables. The study's timeframe was 2000–2014, with 138 observations from 15 different countries.

Variables and measures

Dependent variable. Owning and managing a business or otherwise working on one's own account (Van Stel, 2005; Armour & Cumming, 2008) can be broadly construed as entrepreneurship. This suits the conceptualization of entrepreneurship in this study, where the entrepreneur takes risks and bears the consequences of the success or failure of the business (similar to Damaraju et al., 2021). Following this, the dependent variable, i.e. the level of entrepreneurial activity, was taken as the number of individuals self-employed in a country (Armour & Cumming, 2008). Self-employment is measured comprehensively enough in most countries to facilitate comparisons over time [otherwise, comparing across countries can be difficult and problematic (Audretsch, 2003)]. The definition of self-employed is the same as used in online data sets (Labor Statistics) of the International Labor Organization.

Independent variables. The key independent variable, “stigma of failure,” was calculated using the European Commission's survey data on attitudes toward entrepreneurship (Simmons et al., 2014). The survey reports responses by country to the statement, “People who have started their own business and have failed should be given a second chance.” The choices are “strongly agree,” “agree,” “don't know,” “disagree” and “strongly disagree.” These were rescaled using a $-2, 2$ scale (“ -2 ”: “strongly agree” and “ $+2$ ”: “strongly disagree”). With this assignment of positive values to the negative social judgments about giving failed entrepreneurs a second chance, higher values represent a higher stigma of failure.

The cultural dimensions, *individualism-collectivism*, *masculinity-femininity*, *uncertainty avoidance* and *power distance*, were the other independent/moderating variables (Hofstede, 1980; Palamida, Papagiannidis, & Xanthopoulou, 2018). The updated national cultural scores along the dimensions of Hofstede (1980) from Taras, Steel and Kirkman (2012) were used. These scores were from a meta-analysis of 451 studies containing 2,000 independent samples (over 500,000 responses from individuals in 49 countries/regions) and thus more representative and recent.

Control variables. Following previous studies (Armour & Cumming, 2008), credit market controls, business regulation, legal system and property rights, unemployment and taxation, “time to discharge” from bankruptcy (a proxy for stringency of bankruptcy laws), cultural variables and environmental munificence (year-on-year per capita GDP growth rate in a country), were included.

Results and analysis

The correlations between the variables are in Table 1. The cultural variables of individualism and power distance, power distance and uncertainty avoidance exhibit high levels of correlations that are significant. Since culture is a composite of these dimensions, these variables were retained in the regressions, despite possible sensitivity of results to the correlations. There were also high and significant correlations between the legal system and property rights and the cultural variables and between legal system and property rights and business regulation.

The data were treated as a pooled cross-section and analyzed using Poisson regressions. Panel regressions with country-effects were inappropriate for this study since country-observations were relatively small. Results from testing $H1-H4$ are given in Table 2.

No. Variable	1	2	3	4	5	6	7	8	9	10	11	12
1 Level of entrepreneurial activity	1											
2 Stigma	-0.11	1										
3 Individualism	-0.46***	-0.09	1									
4 Masculinity	0.38**	0.41***	-0.504***	1								
5 Uncertainty avoidance	0.133	0.076	-0.552***	0.244***	1							
6 Power distance	0.085	-0.12	-0.75***	0.18**	0.713***	1						
7 Environmental munificence	0.123	-0.12	0.02	-0.018	-0.09	-0.04	1					
8 Legal system and property rights	-0.201**	0.12	0.623***	-0.11	-0.68***	-0.72***	0.11	1				
9 Credit market controls	-0.39***	0.23***	0.55***	-0.066	-0.16**	-0.49***	0.28***	0.37***	1			
10 Business regulation	-0.07	-0.16*	0.42***	-0.09	-0.52***	-0.47***	0.09	0.65***	0.17*	1		
11 Proportion unemployed	0.13	-0.27***	-0.12	-0.02	0.46***	0.30***	-0.27***	-0.38***	-0.36***	-0.19**	1	
12 Tax rates	-0.09	-0.07	0.24***	-0.16*	-0.06	-0.17**	0.13	0.46***	0.04	0.27***	-0.04	1

Notes: *** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$. With data being from a number of different sources, eventually there were 15 countries in the final regressions in view of restrictions imposed by missing data. The countries are Belgium, Bulgaria, the Czech Republic, Germany, Greece, Hungary, The Netherlands, Poland, Romania, Spain, Sweden, Switzerland, Turkey, the UK and the USA (narrower than Damaraju *et al.*, 2021 in view of stigma measures used)

Source: Table by author Naga Lakshmi Damaraju

Table 1.
Correlation matrix

Table 2.
Poisson regression
results for the
moderating effects of
culture on the
relationship between
stigma and
entrepreneurial
activity^a

	Model 1	Model 2	Model 3	Model 4	Model 5
DV: level of entrepreneurial activity ^b					
Individualism*stigma		0.015*** [0.004]			
Masculinity*stigma					
Uncertainty avoidance*stigma					
Power distance*stigma			-0.010*** [0.003]	0.001 [0.005]	
Stigma	-0.009*** [0.003]	-0.017*** [0.003]	-0.011*** [0.004]	-0.010*** [0.003]	-0.022*** [0.004]
Individualism	-1.918*** [0.197]	-0.369 [0.426]	-1.739*** [0.164]	-1.922*** [0.194]	-2.055*** [0.161]
Masculinity	0.332*** [0.088]	0.392*** [0.083]	-0.613** [0.277]	0.330*** [0.089]	0.428*** [0.079]
Uncertainty avoidance	0.310* [0.169]	0.297* [0.152]	0.209 [0.175]	0.434 [0.621]	0.473*** [0.164]
Power distance	-2.183*** [0.196]	-2.134*** [0.172]	-1.766*** [0.199]	-2.201*** [0.228]	-4.542*** [0.507]
Time to discharge	0.016*** [0.004]	0.019*** [0.003]	0.014*** [0.003]	0.016*** [0.004]	0.022*** [0.003]
Environmental munificence ^a	0.063*** [0.018]	0.065*** [0.017]	0.059*** [0.016]	0.064*** [0.019]	0.061*** [0.016]
Legal system and property rights	0.037 [0.077]	0.110 [0.072]	0.043 [0.075]	0.028 [0.094]	0.208*** [0.069]
Credit market controls	-0.427*** [0.067]	-0.434*** [0.067]	-0.388*** [0.066]	-0.428*** [0.068]	-0.415*** [0.060]
Business regulation	0.011 [0.056]	-0.008 [0.058]	-0.007 [0.058]	0.011 [0.056]	-0.042 [0.060]
Proportion unemployed	1.260 [2.195]	1.696 [1.820]	2.571 [2.311]	1.397 [2.089]	0.255 [1.935]
Tax rates	0.036*** [0.006]	0.030*** [0.006]	0.034*** [0.005]	0.037*** [0.007]	0.021*** [0.006]
Total employed ^b	-0.000*** [0.000]	-0.000*** [0.000]	-0.000*** [0.000]	-0.000*** [0.000]	-0.000*** [0.000]
Constant	8.149*** [0.863]	7.097*** [0.713]	7.953*** [0.817]	8.158*** [0.878]	6.068*** [0.689]
Wald chi-square	798.99	698.63	820.59	781	794.6
Prob > chi-sq.	0.000	0.000	0.000	0.000	0.000
Log pseudolikelihood	-18,746.613	-16,641.41	-17,402.19	-18,724.546	-15,901.712
Pseudo R ²	0.793	0.816	0.808	0.793	0.824
No. of observations	138	138	138	138	138

Notes: Robust standard errors in brackets; ^bDV subtracted to avoid double counting; *** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$. ^aThe relative increases in environmental munificence (measured by GDP growth rate) would affect perceptions opportunity availability and potential slack resources to take advantage of them. Perceptions of increases in environmental munificence are more likely to stimulate entrepreneurial initiatives than absolute levels; ^bThis measure (i.e. individual self-employed) mitigates the risk of including forced enterprises that could be driven by different considerations

Source: Table by author Naga Lakshmi Damaraju

The base Model 1 contains all the independent and control variables. The variable “stigma” had a significant negative coefficient (-0.009 ; $p < 0.01$), supporting its overall negative relationship with entrepreneurial activity. In Models 2–5, containing the cultural interactions, this negative coefficient was stronger, supporting the presence of moderation effects.

Model 2 has the results from testing *H1*. According to *H1*, individualism positively moderates the relationship between stigma of failure and entrepreneurial activity. In Model 2, “stigma” had a strongly significant negative coefficient (-0.017 ; $p < 0.01$). The interaction term “individualism*stigma” had a strongly significant positive coefficient (0.015 ; $p < 0.01$). These results support *H1*.

In Model 3, stigma had a strongly significant negative coefficient (-0.011 ; $p < 0.01$). The interaction term “masculinity*stigma” also had a strongly significant negative coefficient (-0.010 ; $p < 0.01$). *H2* that masculinity negatively moderates the relationship between stigma of failure and entrepreneurial activity was strongly supported.

In Model 4, whereas the coefficient of “stigma” had a strongly significant negative coefficient (-0.01 ; $p < 0.01$), the interaction term, “uncertainty avoidance*stigma,” had an insignificant coefficient (0.001). Therefore, *H3* about the negative moderation of higher uncertainty avoidance was not supported. Stigma appears to adversely affect entrepreneurial activity regardless of the level of uncertainty avoidance in a country culture.

In Model 5, both “stigma” and the interaction, “power distance*stigma,” had strongly significant negative coefficients (-0.022 ; $p < 0.01$, -0.022 ; $p < 0.01$, respectively). *H4* (negative moderation of higher power distance on the relationship between stigma of failure and entrepreneurial activity) was strongly supported.

Taken together, *H1*, *H2* and *H4* were strongly supported. *H3* was not supported in this study.

Robustness checks

The results were robust to:

- using total population as an “exposure” variable in the Poisson regressions;
- including time-effects (although the effect sizes were weaker);
- excluding the “legal system and property rights” variable (highly correlated with the cultural variables) and the “business regulation” variable (highly correlated with the “legal systems and property rights” variable); and
- using an alternative dependent variable (total self-employed including self-employed employers).

Results were sensitive to omitting any of the cultural variables.

Final considerations

Discussion

In this paper, a theoretical rationale for how cultural context influences and leads to differential effects of stigma of failure on entrepreneurship was provided. This integrated approach uses Pinker’s dimensions of stigma (1971) together with the cultural dimensions to develop a nuanced understanding of how stigma of failure influences entrepreneurial activity. Empirically, unlike prior studies that infer stigma from the effects of cultural dimensions, a separate measure of stigma of failure was incorporated to capture its effect distinctly from the cultural context.

The results support the moderating influences of “individualism,” “masculinity” and “power distance” dimensions of culture on the relationship between stigma of failure and entrepreneurial activity. The often argued moderating influence of “uncertainty avoidance” was not supported by the results of this study (Lee et al., 2007), which is consistent with more recent studies (Shirokova et al., 2016). This could also suggest that “uncertainty avoidance” may not be very relevant for certain kinds/types of entrepreneurship. These results held with several robustness checks.

By separating stigma and cultural dimensions, these results suggest that while a cultural dimension may have a particular directional relationship with entrepreneurial activity, the moderating effect can be different. For example, the results suggest a positive relationship between high masculinity and entrepreneurship. The same dimension of masculinity can adversely affect entrepreneurship in the presence of stigma of failure.

Practical implications

The results from this study suggest that policies and attempts to promote entrepreneurship need to consider the stigma of failure and the complex interactions occurring with cultural dimensions within a country/culture. When initiatives/solutions are devised with a comprehensive understanding, they are likely to be more effective.

Limitations and future research directions

The paper focused on the negative effects of stigma rather than its favorable effects on entrepreneurial activity. Failure can motivate an individual to achieve and become successful [“falling forward” (McGrath, 1999)], and risk-taking can increase when faced with negative outcomes (Kahneman & Tversky, 1979). Individual differences, e.g. *locus* of control, extrinsic and intrinsic sources of motivation, self-esteem and self-efficacy (Spicker, 1984; Shepherd, 2003; Wennberg, Pathak, & Autio, 2013) and the nature/type of entrepreneurship/entrepreneur (Schumpeterian or otherwise) may also influence these relationships (Henrekson & Sanandaji, 2019). The results from the alternative measure of entrepreneurial activity – the proportion of self-employed employers, point to such potential differences in the influence of stigma based on the type of entrepreneur. Failure can have several dimensions, e.g. extent of visibility and damage, size of failure and these can affect stigma’s impact on entrepreneurial activity (Martinez, 2020). Future research could focus on these nuances.

While the results support that higher masculinity accentuates the stigma of failure, Simmons et al. (2019) supported that stigma of failure might be higher for females than males in certain cultures, such as Pakistan. The levels of analyses may be a reason for such differences. Nevertheless, the following questions arise:

- Does stigmatization happen when “one is expected to succeed but failed?” or “when one is expected to fail and failed?”
- Is it “stigma of failure” or the “stigma of success” that dampens women entrepreneurial activity in some cultural contexts (De Vita, Mari, & Poggesi, 2014)?

“Environmental munificence” was a key control variable in this study. Theoretically, this construct refers to the “opportunity set” for an entrepreneur (Dess & Beard, 1984). When environmental munificence is higher, the opportunity set is larger and can lead to more value-creation options. Environmental munificence may also interact with the cultural context in influencing the impact of stigma of failure on entrepreneurial activity. Further, the social network ties of the individuals, which form their immediate environment, can play

an important role (Pittz, White, & Zoller, 2021). Our measures and methods have their limitations (Skrzek-Lubasiriska & Szaban, 2019) and provide avenues for further research.

Conclusion

Entrepreneurial activity is an important driver of economic well-being in a society. There are several motivational factors that drive entrepreneurial activity. In this paper, the complexity of how stigma influences entrepreneurial activity was highlighted, considering the cultural context in which entrepreneurs operate. Future research can provide deeper insights into the effects of stigma on value creation for fostering robust entrepreneurship ecosystems.

References

- Armour, J., & Cumming, D. (2008). Bankruptcy law and entrepreneurship. *American Law and Economics Review*, 10(2), 303–350, doi: [10.1093/aler/ahn008](https://doi.org/10.1093/aler/ahn008).
- Audretsch, D. B. (2003). Innovation and spatial externalities. *International Regional Science Review*, 26(2), 167–174, doi: [10.1177/0160017602250973](https://doi.org/10.1177/0160017602250973).
- Autio, E., Pathak, S., & Wennberg, K. (2013). Consequences of cultural practices for entrepreneurial behaviors. *Journal of International Business Studies*, 44(4), 334–362, doi: [10.1057/jibs.2013.15](https://doi.org/10.1057/jibs.2013.15).
- Burchell, B., & Hughes, A. (2006). The stigma of failure: An international comparison of failure tolerance and second chancing. Working Paper 334, University of Cambridge, Cambridge, UK.
- Collins, C. J., Hanges, P. J., & Locke, E. A. (2004). The relationship of achievement motivation to entrepreneurial behavior: A meta-analysis. *Human Performance*, 17(1), 95–117. doi: [10.1207/S15327043HUP1701_5](https://doi.org/10.1207/S15327043HUP1701_5).
- Cumming, D., Sapienza, H. J., Siegel, D. S., & Wright, M. (2009). International entrepreneurship: Managerial and policy implications. *Strategic Entrepreneurship Journal*, 3(4), 283–296. doi: [10.1002/sej.75](https://doi.org/10.1002/sej.75).
- Damaraju, N. L., Barney, J. B., & Dess, G. G. (2021). Do stringent bankruptcy laws always deter entrepreneurial activities? A study of cultural influences. *Entrepreneurship Theory and Practice*, 45(2), 418–439. doi: [10.1177/1042258720913017](https://doi.org/10.1177/1042258720913017).
- De Vita, L., Mari, M., & Poggessi, S. (2014). Women entrepreneurs in and from developing countries: Evidences from the literature. *European Management Journal*, 32(3), 451–460. doi: [10.1016/j.emj.2013.07.009](https://doi.org/10.1016/j.emj.2013.07.009).
- Deshpande, V. I. (1998). What makes silicon valleys? *Computers Today* (pp. 16–31). New Delhi: Khanna Book Publishing.
- Dess, G.G., & Beard, D. W. (1984). Dimensions of organizational task environments. *Administrative Science Quarterly*, 29(1), 52–73. doi: [10.2307/2393080](https://doi.org/10.2307/2393080).
- Goffman, E. (1963). *Stigma: Notes on Management of Spoiled Identity*, Englewood Cliffs, NJ: Prentice Hall.
- Gwartney, J., Lawson, R., & Hall, J. (2013). *Economic freedom of the world: 2013 annual report*, Vancouver, B.C: Fraser Institute.
- Hayton, J. C., George, G., & Zahra, S. A. (2002). National culture and entrepreneurship: A review of behavioral research. *Entrepreneurship Theory and Practice*, 26(4), 33–52. doi: [10.1177/104225870202600403](https://doi.org/10.1177/104225870202600403).
- Henrekson, M., & Sanandaji, T. (2019). Measuring entrepreneurship: Do established metrics capture Schumpeterian entrepreneurship? *Entrepreneurship Theory and Practice*, 31(3), 104225871984450, doi: [10.1177/1042258719844500](https://doi.org/10.1177/1042258719844500).

- Hindle, K., & Rushworth, S. (2000). *Global entrepreneurship monitor, Australia*, Melbourne, Vic: Swinburne University of Technology.
- Hofstede, G. (1980). *Culture's consequences: International differences in work related values*, Beverly Hills, CA: Sage Publications.
- Hofstede, G. (1991). *Cultures and organizations: Software of the mind*, London: McGraw-Hill.
- Hofstede, G., & Bond, M. H. (1984). Hofstede's cultural dimensions: An independent validation using Rokeach's value survey. *Journal of Cross-Cultural Psychology*, 15(4), 417–433. doi: [10.1177/0022002184015004003](https://doi.org/10.1177/0022002184015004003).
- Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decisions under risk. *Econometrica*, 47(2), 263–291. doi: [10.2307/1914185](https://doi.org/10.2307/1914185).
- Klimas, P., Czakon, W., Kraus, S., Kailer, N., & Maalaoui, A. (2021). Entrepreneurial failure: A synthesis and conceptual framework of its effects. *European Management Review*, 18(1), 167–182. doi: [10.1111/emre.12426](https://doi.org/10.1111/emre.12426).
- Lee, S. H., Peng, M. W., & Barney, J. B. (2007). Bankruptcy law and entrepreneurship development: A real options perspective. *Academy of Management Review*, 32(1), 257–272. doi: [10.5465/amr.2007.23464070](https://doi.org/10.5465/amr.2007.23464070).
- Macintyre, D. (1999). This business guru's key credentials: He went belly Up. *TIME International*, 18.
- Martinez, D. (2020). Not all entrepreneurship is created equal: Theorising entrepreneurial disadvantage through social positionality. *European Management Review*, 17(3), 687–699.
- McGrath, R. G. (1999). Falling forward: Real options reasoning and entrepreneurial failure. *The Academy of Management Review*, 24(1), 13–30. doi: [10.2307/259034](https://doi.org/10.2307/259034).
- McGrath, R. G., MacMillan, I. C., & Scheinberg, S. (1992). Elitists, risk-takers and rugged individualists? An exploratory analysis of cultural differences between entrepreneurs and non-entrepreneurs. *Journal of Business Venturing*, 7(2), 115–135. doi: [10.1016/0883-9026\(92\)90008-F](https://doi.org/10.1016/0883-9026(92)90008-F).
- Morrison, A. (2000). Entrepreneurship: What triggers it? *International Journal of Entrepreneurial Behavior & Research*, 6(2), 59–71. doi: [10.1108/13552550010335976](https://doi.org/10.1108/13552550010335976).
- Palamida, E., Papagiannidis, S., & Xanthopoulou, D. (2018). Linking young individuals' capital to investment intentions: Comparing two cultural backgrounds. *European Management Journal*, 36(3), 392–407. doi: [10.1016/j.emj.2017.06.004](https://doi.org/10.1016/j.emj.2017.06.004).
- Pinker, R. (1971). *Social theory and social policy*, London: Heinemann.
- Pittz, T. G., White, R., & Zoller, T. (2021). Entrepreneurial ecosystems and social network centrality: The power of regional dealmakers. *Small Business Economics*, 56(4), 1273–1286. doi: [10.1007/s11187-019-00228-8](https://doi.org/10.1007/s11187-019-00228-8).
- Rogers, E. M. (1983). *Diffusion of innovation* (3rd ed.), New York, NY: The Free Press.
- Schumpeter, J. A. (1934). *The theory of economic development*, Cambridge, MA: Harvard University Press.
- Shane, S. A. (1992). Why do some societies invent more than others?. *Journal of Business Venturing*, 7, 29–46.
- Shane, S. A. (1993). Cultural influences on national rate of innovation. *Journal of Business Venturing*, 8(1), 59–73. doi: [10.1016/0883-9026\(93\)90011-S](https://doi.org/10.1016/0883-9026(93)90011-S).
- Shepherd, D. A. (2003). Learning from business failure: Propositions of grief recovery for the self-employed. *The Academy of Management Review*, 28(2), 318–328. doi: [10.2307/30040715](https://doi.org/10.2307/30040715).
- Shepherd, D. A., Wiklund, J., & Haynie, M. J. (2009). Moving forward: Balancing the financial and emotional costs of business failure. *Journal of Business Venturing*, 24(2), 134–148. doi: [10.1016/j.jbusvent.2007.10.002](https://doi.org/10.1016/j.jbusvent.2007.10.002).
- Shirokova, G., Osiyevskyy, O., & Bogatyreva, K. (2016). Exploring the intention–behavior link in student entrepreneurship: Moderating effects of individual and environmental

-
- characteristics. *European Management Journal*, 34(4), 386–399. doi: [10.1016/j.emj.2015.12.007](https://doi.org/10.1016/j.emj.2015.12.007).
- Simmons, S. A., Wiklund, J., & Levie, J. (2014). Stigma and business failure: Implications for entrepreneurs' career choices. *Small Business Economics*, 42(3), 485–505. doi: [10.1007/s11187-013-9519-3](https://doi.org/10.1007/s11187-013-9519-3).
- Simmons, S. A., Wiklund, J., Levie, J., Bradley, S. W., & Sunny, S. A. (2019). Gender gaps and reentry into entrepreneurial ecosystems after business failure. *Small Business Economics*, 53(2), 517–531. doi: [10.1007/s11187-018-9998-3](https://doi.org/10.1007/s11187-018-9998-3).
- Skrzek-Lubasiriska, M., & Szaban, J. M. (2019). Nomenclature and harmonized criteria for the self-employment categorization. An approach pursuant to a systematic review of the literature. *European Management Journal*, 37(3), 376–386. doi: [10.1016/j.emj.2018.11.001](https://doi.org/10.1016/j.emj.2018.11.001).
- Spicker, P. (1984). *Stigma and social welfare*. New York, NY: St. Martins Press.
- Steenkamp, J., Hofstede, F., & Wedel, M. (1999). A cross-national investigation into the individual and national cultural antecedents of consumer innovativeness. *Journal of Marketing*, 63(2), 55–69. doi: [10.1177/002224299906300204](https://doi.org/10.1177/002224299906300204).
- Stevenson, H. H., & Jarillo, J. C. (1990). A paradigm of entrepreneurship: Entrepreneurial management. *Strategic Management Journal*, 11, 17–27.
- Taras, V., Steel, P., & Kirkman, B. L. (2012). Improving national cultural indices using a longitudinal meta-analysis of Hofstede's dimensions. *Journal of World Business*, 47(3), 329–341. doi: [10.1016/j.jwb.2011.05.001](https://doi.org/10.1016/j.jwb.2011.05.001).
- Tezuka, H. (1997). Success as the source of failure? Competition and cooperation in Japanese economy. *Sloan Management Review*, 38, 83–89.
- Valinkangas, L., Hoegl, M., & Gibbert, M. (2009). Why learning from failure isn't easy (and what to do about it): Innovation trauma at sun microsystems. *European Management Journal*, 27(4), 225–233. doi: [10.1016/j.emj.2008.12.001](https://doi.org/10.1016/j.emj.2008.12.001).
- Van Stel, A. (2005). COMPENDIA: Harmonizing business ownership data across countries and over time. *The International Entrepreneurship and Management Journal*, 1(1), 105–123. doi: [10.1007/s11365-005-6678-y](https://doi.org/10.1007/s11365-005-6678-y).
- Wennberg, K., Pathak, S., & Autio, E. (2013). How culture molds the effects of self-efficacy and fear of failure on entrepreneurship. *Entrepreneurship & Regional Development*, 25(9-10), 756–780. doi: [10.1080/08985626.2013.862975](https://doi.org/10.1080/08985626.2013.862975).
- Xiao, Z., & Tsui, A. S. (2007). When brokers may not work: The cultural contingency of social capital in Chinese high-tech firms. *Administrative Science Quarterly*, 52(1), 1–31. doi: [10.2189/asqu.52.1.1](https://doi.org/10.2189/asqu.52.1.1).

Corresponding author

Naga Lakshmi Damaraju can be contacted at: damaraju@sonoma.edu

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgrouppublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com