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Post-bankruptcy stigmatization of entrepreneurs and bankers' decisions to finance

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Abstract. Studies of post-bankruptcy stigmatization generally adopt a sociocultural, determinist reading, in which an entrepreneur who has suffered a business failure will be stigmatized and discriminated against by society. Our research aims to take the debate back to its interpersonal foundations. In this article, we have chosen to study the stigmatized/stigmatizing dyad—through the prism of the banker—in order to shed light on the interpretative process of stigmatization, as well as on the factors that may attenuate or reinforce the stigma. In order to understand how post-bankruptcy stigmatization affects the banker's decision on whether or not to finance a new entrepreneurial project, we have combined semi-structured interviews with an exploratory experimental method involving small-business advisors from banks. Using the "Gioia" methodology, we develop a theoretical model, enabling us to improve our understanding of the development of post-bankruptcy stigma and the different processes that it implies.

Keywords: stigmatization, failure, lending decision, entrepreneur, banker.

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INTRODUCTION

The literature has established the fact that an entrepreneur is socially discredited after a failure (Efrat, 2006; Lee, Peng & Barney, 2007; Shepherd, 2003; Sutton & Callahan, 1987; Ucbasaran, Shepherd, Lockett & Lyon, 2013). Most work on post-bankruptcy stigmatization offers a sociocultural reading of the phenomenon (Cardon, Stevens & Potter, 2011; Cave, Eccles & Rundle, 2001; Cope, Cave & Eccles, 2004). In this approach, the authors describe a critical mass of stigmatizing actors (Devers, Dewett, Mishina & Belsito, 2009; Roulet, 2015), without envisaging potential divergences in the attitude or behavior of individuals. Post-bankruptcy entrepreneurs (PBEs) are thus considered to be victims of social determinism with direct consequences on their future (Simmons, Wiklund & Levie, 2014; Singh, Corner & Pavlovich, 2015). This is notably the case in terms of discrimination by banks, which limits PBEs' access to the financial resources needed to start a new entrepreneurial activity.

To our knowledge, only Shepherd & Patzelt (2015: 273) have envisaged the possibility of a certain degree of variation in the evaluation of PBEs by society. These authors consider that PBEs do not form a "homogenous block"; they will be judged differently depending on their personal characteristics (e.g., their sexual orientation). In the same way, it seems possible to imagine that entrepreneurial failures could be interpreted on a case-by-case basis, particularly by bankers. It is well known that bankers base their decisions on a structured evaluation of objective and subjective data, thus making use of judgment (Berger & Udell, 2002; Stein, 2002). Numerous studies have shown that factors such as academic qualifications, ethnic origin, and gender are likely to bias a financing decision (Beck, Behr & Madestam, 2014; Irwin & Scott, 2010; Largay & Xiaodong, 2011; Ya, Escalante, Gunter & Epperson, 2012). By extension, we can question the banker's perception of entrepreneurial failure in the context of granting credit. In this research, we therefore ask how post-bankruptcy stigmatization influences the banker's decision. More specifically, we seek to understand how this affects the banker's decision to finance a new project put forward by an entrepreneur who has suffered a business failure. In particular, it would be interesting to know whether the banker takes an immediate decision on the basis that the PBE belongs to a socially demeaning category, or whether there is an attempt to go beyond the initial negative impression created by the PBE's socioeconomic environment.

This approach involves looking at the inter-individual level, by studying the stigmatized/stigmatizing dyad, unlike the holistic approach that predominates in post-bankruptcy stigmatization literature. Studying the mechanisms that underlie the stigmatization process observed at the scale of society as a whole is original and provides interesting perspectives in terms of identifying its interpersonal foundations. It should also throw new light on the cognitive filters that are at work, whether they help to attenuate or reinforce the consequences of post-bankruptcy stigma. The chosen analytical angle is also original. Whereas the rare studies of post-bankruptcy stigmatization at the individual level tend to focus on the stigmatized person (i.e., the PBE) (Shepherd & Haynie, 2011; Simmons, et al., 2014; Singh, et al., 2015), here we look at the situation from the point of view of the stigmatizing person (i.e., the banker). Both the level (dyadic) and the angle (from the stigmatizing person's viewpoint) of analysis provide a better understanding of the stigmatization process.

In order to answer our research question, we take entrepreneurial failure as meaning bankruptcy. Although this definition of failure is restrictive, it has the advantage of being based on an event that is both observable and registered (Ucbasaran, et al., 2013). More precisely, in the French context, the idea of bankruptcy is taken here to mean "winding up of a business by decision of the court" and thus corresponds to cases where the company has definitively ceased trading. This idea of bankruptcy is important because it is in itself a factor of stigmatization. Nevertheless, its consequences for the stigmatized entrepreneur depend on how the other stakeholders—beginning with bankers—perceive and interpret the stigma. One of the major contributions of this article is thus to re-evaluate stigmatization as an interpretative process.

Our methodology began with seven interviews with experienced banking professionals, all of whom had worked as small-business advisors (SBAs). We then carried out an experimental study on 41 SBAs[1]. This study is exploratory inasmuch as the main results consist of qualitative data, despite the fact that subjects completed a questionnaire for descriptive purposes before their interviews. The participants were divided into two sub-groups and presented with an identical project involving the purchase of an existing business. They were then asked to give an oral presentation during which they would state their decision. In the scenario given to one of the two groups, the prospect had previously suffered a

1. The SBA manages a portfolio of 100 to 200 small or very small companies whose turnover does not generally exceed €4 million. The SBA is the main entry point for the great majority of applications for financing the creation or purchase of companies

business failure. On this basis, the coding method recommended by Gioia, Corley & Hamilton (2013) enabled us to draw up a model for the decision made by an SBA when faced with an application by a PBE.

The fact that the work described in this article uses an analysis at the "micro" level, based on the social interactions between the PBE and the SBA, enables us to better understand the banker's decision-making process when evaluating the PBE's request for finance. We show that stigmatization, as a process, is included at different levels by stakeholders who control financial resources. The banker's decision-making process is studied in three distinct phases (categorization, unframing/reframing, and decision), which may (or may not) lead to discrimination against the PBE. More precisely, our model shows that the first stage of the banker's decision-making process is categorization of the PBE, meaning that the latter's sociocultural environment plays a very important role. An important contribution of this study is to highlight the fact that discrimination is neither automatic nor linear. In fact, post-bankruptcy stigma may be attenuated or reinforced by the banker's interpretation process, which provides a certain latitude in decision-making, even if the final decision is strongly constrained by the bank's delegation system and, more generally, its control framework. Finally, it would appear that the discrimination process is not as Manichean as suggested by studies that examine the situation from the PBE's viewpoint.

After a conceptual clarification (Section 1), we present the characteristics of the methodology (Section 2). The results of the analysis of the questionnaires and interviews (Section 3) are then discussed in order to underline the main contributions of this research (Section 4).

LITERATURE REVIEW

BANKRUPTCY, A CAUSE OF STIGMATIZATION FOR THE ENTREPRENEUR

For Crocker, Major & Steele (1998: 505), stigmatization refers to "attributes or characteristics that confer degraded social identity in a particular context." More recently, Singh, et al. (2015: 151) define it as "a mark of disgrace or infamy, tarnishing an individual's reputation," while Simmons, et al., (2014) consider that three conditions must be satisfied for the term "stigmatization" to be used in the particular case of PBEs.

First, entrepreneurial failure must be culturally perceived as behavior outside social norms (Cardon, et al., 2011; Shepherd & Haynie, 2011; Simmons, et al., 2014). In this case, stakeholders consider PBEs to be guilty and incompetent individuals (Efrat, 2006; Shepherd & Haynie, 2011; Sutton & Callahan, 1987). Several studies have established that the stigma linked to entrepreneurial failure varies from one national culture to another (Lee, et al., 2007; Simmons, et al., 2014; Singh, et al., 2015). In particular, the USA is reputed to be more open toward failure than European countries, thus favoring access to capital and the recreation of an enterprise after a failure (Cardon, et al., 2011; Cope, 2011; Frankish, Roberts, Coad, Spearsz & Storey, 2012; Heinze, 2013; Singh, et al., 2015; Yamakawa, Peng & Deeds, 2015). In the American mindset, failure is seen as part of the learning process (Cave, et al., 2001) and PBEs are seen as more "bankable" (Yamakawa, et al., 2015: 209). More generally, Lee, et al. (2007) underline the fact that tolerance of failure is greater in countries whose national culture involves a higher appetite for risk, which is not the case in France, for example.

According to Simmons, et al. (2014), the term “post-bankruptcy stigmatization” can be used if the PBE accepts victim status. In so doing, the PBE internalizes the general opinion that entrepreneurial failure is illegitimate and becomes isolated from the dominant group. The PBE may in particular decide to stop any entrepreneurial activity in the hope of eliminating stigma.

Finally, according to Simmons, et al. (2014), in order to apply the term “stigmatization,” the failure must be detectable via formal or informal institutions that can communicate the information to stakeholders. In particular, it would appear that regulatory environments can render previous failures visible—as is the case, for example, with Banque de France ratings[2]. In practice, an equilibrium operates in each country between, on one hand, protecting stakeholders from entrepreneurs (“risk-makers”) who may be likely to cause them prejudice (e.g., helping a banker with the process of selecting legitimate clients) and, on the other hand, inciting individuals to go into business again (Simmons, et al., 2014). In our opinion, the fact that the Banque de France’s 040 indicator was abrogated in September 2013 while the 050 and 060 indicators were left in place[3] may be understood from this point of view.

THE CONSEQUENCES OF POST-BANKRUPTCY STIGMATIZATION

According to Devers, et al. (2009), once a stigma has appeared at the level of the individual, it is rare and difficult to get it to disappear. Nevertheless, even if stigmatization is persistent, no-one is a complete prisoner of this socially disadvantageous position (Link & Phelan, 2001). Moreover, not all those who belong to the same stigmatized category suffer the situation in exactly the same manner. For instance, stigmatized individuals are not necessarily passive victims and may resist their stigma. From this point of view, bankruptcy should not necessarily be seen as an “indelible mark” (Cave, et al., 2001), condemning the entrepreneur to social exclusion once and for all.

The ideas discussed above suggest that stakeholders might be led to change their view of PBEs. But up to now, the literature has implicitly considered stakeholders’ mental maps to be particularly rigid. The hypothesis of the stigma being reversible seems all the more promising to us given that recent work by Singh, et al. (2015) provides a dynamic reading of stigmatization. These authors show that an entrepreneurial failure originally experienced by the PBE as a mark of disgrace may finally be perceived to be something positive. The question must then be asked as to whether the stakeholders can also change their attitudes and transform an initial negative preconception of a PBE (linked to the sociocultural environment) into a judgment that is finally positive.

The issues related to such a question are crucial. In reality, the stigmatized individual may be the victim of negative discrimination and the PBE may find it difficult to imagine being offered a “second chance” (Singh, et al., 2015: 150), because the majority of stakeholders consider a failure to be a black mark on an entrepreneur’s record. In particular, it will be difficult for the PBE to acquire the necessary financial resources to launch into the creation of a new enterprise (Cardon, et al., 2011; Cope, 2011; Lee, et al., 2007; Shepherd & Haynie, 2011; Simmons, et al., 2014; Singh, et al., 2015; Sutton & Callahan, 1987; Ucbasaran, et al., 2013). Nevertheless, Link & Phelan (2001) criticize the simplistic view whereby

2. The Banque de France rating is an appreciation by the Banque de France of a company’s ability to honour its financial engagements over a three-year time period (www.fiben.fr).

3. The 040 indicator identified company directors who had been associated with a single voluntary liquidation over the past three years. The 050 and 060 indicators signal the presence of a minimum of (respectively) two or three compulsory liquidations over the past five years.

the stigmatization of individual A by individual B will automatically lead individual B to adopt discriminatory behavior toward individual A (e.g., by refusing a loan to a PBE). Although the authors note that such a direct process certainly is regularly seen in our society, they underline the fact that it would be interesting to undertake research separating the attitude from the behavior.

In practice, the severity of the evaluation of PBEs may thus vary to a certain degree (Shepherd & Patzelt, 2015). It is true that, in order for a stigma to emerge in relation to a given category of individuals—such as PBEs, for example—there must be a critical mass of stakeholders who share the same beliefs about them (Devers, et al., 2009; Roulet, 2015)[4]. Nevertheless, this argument implicitly brings out the fact that discordant voices may exist in society—i.e., people who are inclined to view PBEs differently. Incredibly, the literature is silent in the matter of heterogeneity in stakeholders' attitudes to PBEs (Shepherd & Patzelt, 2015).

Generally speaking, we still know very little at the individual level about the mechanisms underlying the process of stigmatization observed at the scale of society as a whole, particularly when this involves adopting the perspective of stakeholders who are supposed to stigmatize PBEs. In this article, we have thus chosen to concentrate on the case of bankers, who control resources that PBEs need in order to start new enterprises and who are often perceived in an unequivocal manner (tendency to ostracize, non-cooperation, lack of understanding of difficulties, looking at the situation from an entirely accounting viewpoint, etc.) (Singh, et al., 2015). Although there are studies into the link between bankruptcy and access to financial resources (Berkowitz & White 2004; Cope, et al. 2004; Dickerson 2004), to date there is no article focusing on the perception and the impact of entrepreneurial failure from the point of view of bankers.

PERCEPTION AND INTERPRETATION OF POST-BANKRUPTCY STIGMA BY THE BANKER

According to Tversky & Kahneman (1974), decision-makers rarely use extensive resolution processes to deal with the information available to them, because such processes are costly in cognitive terms (e.g., time, mental energy, etc.). Most often, their behavior is determined by heuristic approaches. For example, individuals develop social categories and associate them with stereotyped beliefs in order to analyze their environment, then use this analysis to determine the most appropriate behavior as quickly as possible (Devers, et al., 2009; Link & Phelan, 2001; Roulet, 2015).

However, an individual's judgment should not be dissociated from the decision-making context (Kahneman & Tversky, 1979). For example, according to Tversky & Kahneman (1981), formulating the same problem in different ways can lead to different preferences and decisions. In the same way, according to Wiesenfeld, Wurthmann & Hambrick (2008), each profession can have its own norms, given that individuals will be influenced by how they anticipate the ways of thinking (potentially biased) of those to whom they are accountable, in order to conserve the confidence that the latter have in them. This point would appear to be essential in the banking context, where the system of delegation is closely supervised (Trönnberg & Hemlin, 2014). Moreover, the literature highlights the fact that stigmas may be transferred from one individual to another (Goffman, 1963; Kulik, Bainbridge & Cregan, 2008)—for example, from the PBE to the banker—

4. These two pieces of research, although focusing on stigma at the organisational level, develop the argument relating to critical mass on an individual basis.

which is likely to bias the business relationship with the individual who bears the stigma.

Beyond the initial impression based on social categories (Ashforth & Humphrey, 1997; Fiske & Neuberg, 1990; Link & Phelan, 2001), a decision-maker—if there is the time and sufficient information—might well be motivated by the idea of seeking additional cues. These may confirm the initial categorization or, on the other hand, trigger the search for an alternative category or for a sub-category (Ashforth & Humphrey, 1997). Research in social psychology has indeed revealed a certain latitude in cognitive processes (Crocker, et al., 1998), which—it seems to us—has hitherto been insufficiently highlighted in post-bankruptcy stigmatization literature. Ultimately, although the thesis according to which entrepreneurial failure allows the banker to make an initial categorization of the individual and awakens the banker's vigilance appears to be a priori tenable, the question may be put as to whether other elements should not be taken into account, in a second phase, in order to understand the banker's behavior toward a stigmatized PBE.

In practical terms, banks base their decision on whether to finance a project by taking into account "soft," informal information as a complement to "hard" information (Stein, 2002). Soft information often belongs to the advisor in the branch, because it is not easily observable, verifiable, or transmissible to others. Hard information, on the other hand, is based on relatively objective criteria, such as financial ratios, rating agency scores, and guarantees.

Two models of financing stem from this distinction. The first is a relational model based on soft information, which relies on the quality and intensity of the relationship between advisor and client (Behr, Norden & Noth, 2013), with decisions that may suffer from cognitive and affective bias (Rodgers, 1991), due to the degree of delegation from which the advisor benefits. For example, the decision may be affected by a "good feeling," i.e., intuition—as to the credibility of the borrower—based on emotion (Lipshitz & Shulimovitz, 2007). The second is a transactional model based on hard information, characteristic of big organizations, which may lead to loss of information, but limits the bias inherent in a significant degree of delegation (Berger & Udell, 2002).

Nevertheless, Berger & Udell (2006) consider that this division between "relationship lending" and "transaction lending" leads to over-simplification. They prefer to analyze a bank's commitment to lend as a combination of techniques, including the collection of information, scoring, contractualization, checks, and decision-making procedures. These commitment technologies require the intervention of several stakeholders in the financing process. Although banking organizations' decision-making processes are highly formalized nowadays, the degree of discretion available to the advisor remains significant (Puri, Rocholl & Steffen, 2011), given that the latter is generally more at ease in taking decisions when these can be based on hard rather than soft information (Trönnberg & Hemlin, 2014). Consequently, it would appear to be essential to understand how bankers, as stakeholders having decision-making power over financial resources, include post-bankruptcy stigma in their decision-making process.

METHODOLOGY

CONTEXT OF THE STUDY

Echoing Simmons, et al. (2014), we are interested here in the behavior of bankers in one particular country, France, where entrepreneurial failure is highly visible (thanks to the Banque de France rating) and perceived as socially demeaning (Ipsos, 2013: 7). Today, decision-making processes are more or less homogenous from one bank to another. The first step involves the collection and analysis of information by the advisor, who makes a decision on the basis of commitment technologies, such as scoring and an initial client interview (Berger & Udell, 2006). Depending on the bank's delegation system and the type of project presented, the decision may or may not be delegated. If it is not delegated, the advisor's decision will either be to pursue the application, recommending it to the hierarchy (branch director, then local director, then regional director, and then the loans committee), or, on the contrary, not to pursue it. The contents of the application will be judged by the delegation hierarchy, while the risk will be evaluated by a loan commitment department. Applications for financing from PBEs are not generally delegated to SBAs and thus involve other stakeholders, further removed from the client–advisor relationship. The amount of room for maneuver given to the SBA is defined at the organizational level by the bank's risk policy, which is in turn limited by a restrictive institutional framework.

DATA COLLECTION AND ANALYSIS

In order to answer our research question, we have used qualitative data, although quantitative data were also collected. This is of considerable interest, because there is a persistent lack of qualitative information, both in research into entrepreneurship (Blackburn & Kovalainen, 2009) and in the literature on stigmatization, although there are notable exceptions (Roulet, 2015; Singh, et al., 2015). The qualitative approach proves to be very rich in helping us to understand the detailed mechanisms and processes at work at the individual and interpersonal levels in which we are interested here (Richards, 2009; Singh, et al., 2015).

Phase 1: semi-directive interviews

We first carried out seven semi-directive interviews, each lasting an hour on average, with experienced banking professionals who had all been SBAs in different establishments representative of the French banking industry (BNP Paribas, BPCE, Crédit Agricole, CIC, LCL, etc.). These individuals still work in banking and are in contact with SBAs, but have higher levels of responsibility (e.g., branch director). The interviews were divided into two parts. For approximately 45 minutes, the ex-SBA answered questions in three main categories (representation and behavior of the SBA toward the PBE, stigmatization of the PBE and abrogation of indicator 040, and ethics in relation to financing PBEs). We systematically asked the interviewees to think as they did when they were SBAs. Next, for approximately 15 minutes, the ex-SBAs were asked to react to a scenario that we had drawn up in order to carry out an exploratory experiment (see below) and which had been sent to them by e-mail before the interview. These exchanges with hardened professionals led us to considerably rethink our initial text. Originally, the failure was not significant enough, the amount requested by the entrepreneur was too low, the investment was only for intangible items, the new company had already been started, the relationship between the client and the bank was already established, the jobs that the employees to be financed would carry out was not specified, and there was no self-financing capacity.

Phase 2: exploratory experiment

We then carried out an experiment involving 41 SBAs, a method that is regularly used for analyzing decisions in economic and management science (Bursztyn, Ederer, Ferman & Yuchtman, 2014; Grosse, Putterman & Rockenbach, 2011; Schwager & Rothermund, 2013; Shanteau, 1989). This approach, although it is exploratory in our case, would appear to be particularly logical in order to evaluate the impact of an entrepreneurial failure on a banker's decision on whether or not to recommend a loan. In fact, it recreates a concrete decision-making situation for the banker. From this point of view, we differentiate ourselves from the existing literature by giving a more "human" face to the business relationship between PBEs and controllers of resources, generally considered in a very "macro" fashion.

We divided our population into two sub-groups, comparable in terms of age, level of educational attainment, professional experience, and gender. Depending on the alphabetical order of their surname, individuals alternately received Scenario 1 (N1 = 21 people) or Scenario 2 (N2 = 20 people), which is equivalent to a random draw. In both cases, the SBA had to deal with a 40-year-old individual who wished to finance the purchase of an existing company. We imagined the case of an entrepreneur who had previously been in charge of a small company, and who today wished to buy a very small company. In our opinion, studying the stigmatization of the PBE made all the more sense because, in the minds of stigmatizing actors (Roulet, 2015), the failure of the company is closely associated with the entrepreneur. In fact, this association would appear to be valid above all for very small companies where, a priori, the personal intuition of the individual granting the loan is highly significant.

The texts were just under three pages long and were identical for all the participants except that, in Scenario 1 (see Annex 1), the prospect had experienced an entrepreneurial failure in the past[5]. Echoing Charness, Gneezy & Kuhn (2012), we opted for a between-subject design, because we did not want the experimental subjects to know—by identifying the difference between the two scenarios—that our study was investigating the influence of entrepreneurial failure on their decision as an SBA. We believe that a within-subject design could have generated bias related to social desirability among our subjects.

The participants in the experiment had one hour to prepare a fictitious presentation for their branch director in order to justify their decision on whether or not to finance the project. The subjects also had to answer a questionnaire, whose sole purpose was to reveal the initial trends about the overall way in which the SBAs react to an entrepreneurial failure (one yes/no question to know whether they would agree to finance the project, 22 closed questions with a seven-point scale on themes similar to those discussed during the semi-directive interviews, and six open questions whose responses were coded in preparation for quantitative treatment). The 41 SBAs were then received individually for about 20 minutes by one or other of the two authors (presentation, questions/responses, and debriefing about the questionnaire).

5. So that the individual's age (40) would be realistic in both cases, it was specified that this person had seven years' experience as an entrepreneur in Scenario 1 (with failure) and 15 years in Scenario 2 (without failure).

Given the small number of subjects and the fact that the questionnaire is purely descriptive, we limited ourselves to simple statistics (mean and standard deviation), carrying out a non-parametric Mann–Whitney test in order to compare our two small, independent samples[6] (see Table 1) for the following four cases: Scenario 1 versus Scenario 2; Scenario 1 (acceptance) versus Scenario 2; Scenario 1 (refusal) versus Scenario 2; and Scenario 1 (acceptance) versus Scenario 1 (refusal).

In both scenarios, the majority of the SBAs agreed to finance the project. Nevertheless, the PBE suffered different treatments. In fact, 95% of the subjects were willing to support the application when there was no failure (a single refusal), whereas only 62% were willing to support it in the case of failure (eight refusals) (Q1). Moreover, the SBAs had a much more positive preconception of the entrepreneur when the latter had not experienced failure in the past (Q20). Similarly, 85.7% of the respondents in group 1 cited the failure as being a weak point of the application (61.9% identified it as being the weakest point). In addition, the SBAs who rejected the application in the scenario with failure considered that they lacked information (with 38% of the respondents in group 1 saying that they would like to have known more about the reasons for the failure). We also observed a difference in the evaluation of the situation by SBAs dealing with a PBE (scenario 1), particularly in terms of constraints from the hierarchy, perceived as being greater in the case where the application is accepted (Q12). The debriefings showed that this result is linked to the fact that an SBA may, on an individual basis, have a favorable opinion about an application, all the time knowing that it will not necessarily be supported by superiors. What is more, the SBAs underlined the fact that their decision would not necessarily be the same with more experience (Q25). As our respondents suggested, if more senior bank employees had already refused several similar cases in the past, SBAs could end up becoming frustrated and so preferring to save time by refusing an application that they themselves believe in, but that they know will not receive support further up the hierarchy. Finally, the SBAs underlined the fact that not all of their peers would necessarily take the decision to accept an application with past failure (Q26). In the open questions, our respondents justified this fact in terms of the differing appetite for risk of individual SBAs, given that, in their eyes, they expose their bank to greater risk by accepting such an application than by refusing it, even though it represents a business opportunity for the establishment (Q23).

6. The bilateral test was carried out with a significance of 5%. The shaded squares in Table 1 correspond to statistically significant results.

Questions	S1 vs. S2			S1 yes vs. S2			S1 no vs. S2			S1 yes vs. S1 no		
	S1	S2	ρ-value	S1 yes	S2	ρ-value	S1 no	S2	ρ-value	S1 yes	S1 no	ρ-value
1- Grant the loan	Yes:62% No:38%	Yes:95% No:5%	-	Yes:100% No:0%	Yes:95% No:5%	-	Yes:0% No:100%	Yes:95% No:5%	-	Yes:100% No:0%	Yes:0% No:100%	-
2- Overall score for application	4.86	5.60	0.180	5.85	5.60	0.303	3.25	5.60	0.000	5.85	3.25	0.000
3- Insufficient information	4.90	5.15	0.947	6	5.15	0.010	3.13	5.15	0.001	6	3.13	0.001
4- Desire for personal information	3.19	3.50	0.614	2.85	3.50	0.314	3.75	3.50	0.726	2.85	3.75	0.263
5- Desire for information about company	4.19	3.95	0.375	3.77	3.95	0.885	4.88	3.95	0.138	3.77	4.88	0.298
7- Need a third party to decide	2.90	2.85	0.810	3.38	2.85	0.461	2.13	2.85	0.134	3.38	2.13	0.236
8- Simple application	4.48	5.05	0.361	4.69	5.05	0.669	4.13	5.05	0.265	4.69	4.13	0.530
9- Need scoring software	2.57	3.10	0.339	2.85	3.10	0.675	2.13	3.10	0.224	2.85	2.13	0.508
10- Influence of regulations	3.24	3.30	0.953	3.23	3.30	0.856	3.25	3.30	0.881	3.23	3.25	0.681
12- Constraint from hierarchy	3.90	4.25	0.624	4.69	4.25	0.483	2.63	4.25	0.045	4.69	2.63	0.028
13- Delegation for the application	4.24	4.45	0.974	4.15	4.45	0.934	4.38	4.45	0.867	4.15	4.38	0.785
16- Influenced by entrepreneur's prior history	5.76	5.80	0.234	5.85	5.80	0.872	5.63	5.80	0.265	5.85	5.63	0.619
17- Entrepreneur's professional history reassuring	5.14	5.45	0.159	5.31	5.45	0.411	4.88	5.45	0.219	5.31	4.88	0.423
18- Entrepreneur's personal situation reassuring	4.90	4.30	0.018	5.23	4.30	0.064	4.38	4.30	0.942	5.23	4.38	0.125
19- Company's financial data reassuring	6.05	5.60	0.013	6.23	5.60	0.017	5.75	5.60	0.659	6.23	5.75	0.292
20- Positive preconception of the entrepreneur	4.38	5.50	0.011	5.00	5.50	0.610	3.38	5.50	< 0.0001	5.00	3.38	0.004
21- Positive preconception of the company	5.57	5.70	0.742	5.54	5.70	0.547	5.63	5.70	0.978	5.54	5.63	0.961
22- Positive preconception of the application	4.62	5.55	0.253	5.77	5.55	0.091	2.75	5.55	< 0.0001	5.77	2.75	0.000
23- Risky decision for the bank	2.95	3.55	0.272	3.77	3.55	0.611	1.63	3.55	0.003	3.77	1.63	0.000
24- Risky decision for the SBA	1.90	2.65	0.074	2.08	2.65	0.234	1.63	2.65	0.071	2.08	1.63	0.465
25- Identical decision with more experience	5.48	5.25	0.594	4.85	5.25	0.523	6.50	5.25	0.044	4.85	6.50	0.036
26- Identical decision for all SBAs	3.90	3.90	0.961	3.08	3.90	0.185	5.25	3.90	0.091	3.08	5.25	0.025
28- Decision supposing an ethical approach	3.43	3.65	0.749	3.92	3.65	0.615	2.63	3.65	0.188	3.92	2.63	0.131

Table 1: Synthesis of questionnaire results (1 = completely disagree to 7 = completely agree)

Phase 3: application of Gioia, et al. (2013)'s approach

In the third phase, the 48 interviews from phases 1 and 2 were transcribed to form a corpus totaling 86,883 words. In order not to lose any information, we carried out thematic coding of this empirical material using the approach recommended by Gioia, et al. (2013), a widely-used methodology to understand entrepreneurship in context (McKeever, Jack & Anderson, 2015). Annex 2 shows how we went from 25 first-order codes to nine second-order themes, then to three aggregated second-order dimensions. Last, all the second-order categories were brought together in the final model of this research (see Figure 1). In accordance with the Gioia methodology, the first-order coding was initially inductive. Our 25 items thus all emerged from field observations. The increase in the level of abstraction, specific to Gioia, et al. (2013)'s approach, then took place through several iterations between theory and field results, using an abductive logic (Roulet, 2015; Vaara & Monin, 2010). By way of illustration, referring back to the literature enabled us to bring out second-order concepts such as national culture (Cardon, et al., 2011), categorization (Link & Phelan, 2001) and experience (Yamakawa, et al., 2015). In other cases, comparison of our empirical data with existing work on post-bankruptcy stigmatization highlighted the fact that, on the contrary, certain aspects have not yet been studied in the literature; our work thus constitutes a veritable theoretical contribution. The notion of a control framework is one example; another is decision-making latitude, which relates better to our field observations than does the concept of cognitive latitude (Crocker, et al., 1998).

Our matrix thus combines dimensions from our theoretical framework with new ones. Once the analytical framework had been constructed on the basis of three dimensions (categorization, decision-making latitude, and control framework), we went on to carry out systematic coding, using Microsoft Word, of all the data we had collected (creation of a 30,050-word file, structured according to our matrix).

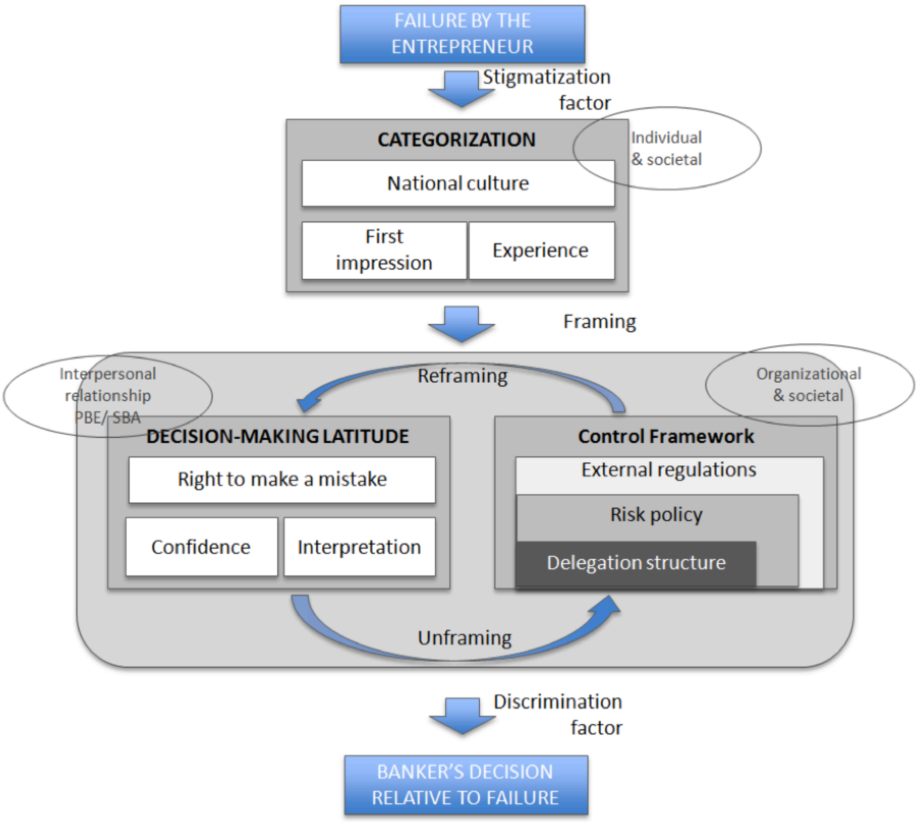

Figure 1: Decision of SBA faced with entrepreneurial failure

EMPIRICAL RESULTS

CATEGORIZATION[7]

The sociocultural vision of entrepreneurial failure was strongly present in the responses given by the SBAs whom we interviewed. By way of illustration, they generally considered the fact of being recorded in the Banque de France files (see above) as a reflection of French cultural perception. According to this point of view, the "*company directors' rating*" is often seen as "*a sort of a label on the entrepreneur's forehead*," leading to "*stigmatization*" of the PBE by society as a whole. In other words, according to our respondents, PBEs are generally "*badly perceived*" in France and consider that a financier will rarely offer them a "*second chance*"—unlike the situation in the USA, for example, where failure is considered, they say, to be a "*positive element*." For SBAs, it is clear that post-bankruptcy stigma varies according to culture, and in particular according to the country's attitude to risk.

The bankers we interviewed largely shared the cultural traits and the heuristic approach that they associate spontaneously with France. When we asked for their opinion, the SBAs did admit to having "a *negative preconception*" of PBEs. In their eyes, a PBE is an "*unfavorable element*," a "*detrimental element*," a "*weak point*," or a "*sensitive point*" in the

7. Annex 2 shows the verbatim accounts that support our arguments. The statements quoted below in italics are also taken directly from our respondents.

application. The fact of considering past entrepreneurial failure as a "*black mark*" in an application for financing underlines the fact that, in the banker's mind, the PBE is in a separate social category. This betrays the presence of stereotyped beliefs about PBEs. This representation finally suggests that entrepreneurial failure is outside the SBA's social norm, and so that the PBE is seen as having a tarnished reputation. Some of the bankers interviewed thus considered that liquidation indicates a lack of competence in entrepreneurs, who have not managed to "*prove themselves"* as managers when faced with difficulties. The SBAs thus often have a "n*egative representation*" of failure and, a priori, do not wish to support applications for the creation of new companies, for fear of seeing history repeating itself. "*It's not appealing*!" was how one of them summed up the PBE's disgrace.

A few SBAs did note, however, that a PBE has "*experience that cannot be ignored.*" The PBE is not only a first-time entrepreneur, but may also have learned from the unfortunate experience, and so should "*not make [the same] mistakes*" and should "*anticipate things better,*" thus facilitating the obtaining of support from the SBA. Here, the key element in the banker's eyes is that the entrepreneur should have "*analyzed the causes of failure*." It should be noted, however, that the argument of a failure being positive for the PBE—who would thus be more "*bankable*"—was put forward by hardly any of our respondents. The idea that failure is a potential source of learning for the entrepreneur was mentioned only in a very isolated manner by the SBAs interviewed.

CONTROL FRAMEWORK

SBAs are strongly influenced by the decision-making context in which they work. Beyond the fact that banks are very formalized organizations, standards are ubiquitous in the profession. The conditions under which banking finance is exercised are controlled by a series of prudential regulations at international (the Basel Accords), European (the Capital Requirements Directive IV), and national levels (the decree of 3 November 2014 on internal verification). These constraints form the basis of a process aimed at standardizing decision-making in the banking industry. This external controlling environment limits the internal environment, be it the bank's risk policy or the implementation of that policy in decision-making processes and delegation structures. Embedded in this regulatory and procedural pyramid, the SBAs interviewed said that "*you have to take the right risks*." For example, the requirement in the Basel Accords that a bank should have the funds available to cover any risks has a direct consequence on local decisions and the "*quality*" of the applications that are accepted. In fact, this regulatory pyramid acts as a filter on decision-making, restricting the selection of applications, be it through internal procedures or because *"the application has been sent to the back office."*

The SBA who has received a loan request from an entrepreneur must evaluate the risks that the application could represent for the bank. In accordance with the transactional model, the SBA automatically "*interrogates*" Infogreffe [the French equivalent of Companies House in the UK, or EDGAR database in the USA], as well as the FIBEN database, in order to obtain the Banque de France rating and the company directors' rating. This hard, unbiased, and easily accessible information acts as an initial, rational filter on access to finance for entrepreneurial projects. A previous company liquidation leaves "*traces*" in the files, despite the decision taken in September 2013 to do away with the 040 indicator. In practice, the banker can easily reconstitute the interlocutor's history from the accessible information, making post-bankruptcy stigma extremely visible to the banker.

Although all ex-040 applicants are not automatically eliminated, they are systematically identified as risky cases of whom one has to be "*wary*." In such cases, the term used is "*deterioration of managerial quality.*" This justifies the fact that the decision will be taken outside the delegated responsibility of the SBA or the branch director, except—in very limited circumstances—when the amount requested is very small. The banking industry is, in effect, characterized by strong control of the delegation system. In other words, a loan application from a PBE is more "*complex*," because it must go before the risk committee and be the subject of a convincing justification. In such cases, the SBA will have to "*defend*" the client/prospect and find good "*arguments to erase the past*" when trying to convince superiors. Very often, the SBA will come up against the next person up the hierarchy of delegation, who prefers not to take risks. This is the reason why, with experience, SBAs may become discouraged and consider that it is pointless to give a favorable response to a request from a PBE. SBAs may indeed risk "*wasting time*" on applications that they believe their delegating hierarchy or the loans commitment department are highly likely to reject.

DECISION-MAKING LATITUDE

Instead of adopting a systematic position of discrimination against PBEs, directly determined by the sociocultural and regulatory environment, certain bankers demonstrate latitude in their decision-making, exhibiting a certain degree of heterogeneity in their behavior, in particular by accepting that the PBE has the right to have made a mistake. In this respect, our interviews highlighted the fact that the SBA's discretionary capacity is important in the decision-making process. The initial client interview with the PBE (discovery interview) is one of the commitment technologies reserved to the SBA. During this exchange with the entrepreneur, the banker collects as much information as possible in order to "*dig out*" the reasons for the past bankruptcy. Thus, despite a downgraded rating (scoring and hard information), which has a negative influence on the banker, the attitude most often adopted by the SBA is to "*allow [the entrepreneur] the opportunity to explain*." By giving this second chance, the SBA seeks complementary signals on which to base a judgment and thus not remain fixed on the initial negative impression linked to post-bankruptcy stigma. The banker's decision-making process must, in this case, be understood to be dynamic. More precisely, depending on the degree of latitude that the hierarchy allows, the SBA switches from a transactional model to a relational model, even if this means introducing cognitive and emotional bias into the judgment.

Nevertheless, the banker is not easily fooled and knows that the interlocutor will seek not to appear responsible for the failure. In other words, the banker knows that the PBE will try hard to overcome the post-bankruptcy stigma and will wish to make the best possible impression in the business relationship. Through questioning, the SBA thus seeks to discover whether the failure was due to "*bad management*" or to "*external factors,*" such as a bad economic situation or personal problems (soft information). In other words, the analysis of the SBA's cognitive mechanisms shows that there is an attempt to refine the evaluation of the PBE in order to establish sub-categories, reinforcing or attenuating the post-bankruptcy stigma (depending on whether the failure is attributable to internal or external causes respectively).

In any event, the SBAs were unanimous in stressing that in the case of past management error by the PBE, the application will be judged to be particularly risky. Bankers may consider in such a case that they are dealing with a "*bad manager*," i.e., someone who does not have "t*he ability to manage a company.*" In order to refine this judgment, the SBA will also try to find out what the entrepreneur "*has tried to do*" in order to deal with the difficulties. If the PBE has taken "*difficult decisions*" and "*fought*" to try and avoid liquidation, this represents a positive signal for the banker. In the same way, SBAs will look at the entrepreneur's ability to pay off—or not—the debt after the failure. Thus, a liquidation that ended under good conditions may be perceived as a "*reassuring*" signal for the banker. In that case, the post-bankruptcy stigma is no longer necessarily an indelible mark.

Be that as it may, the SBA's decision is not based solely on the conditions of the entrepreneurial failure viewed with hindsight. The interest, feasibility, and viability of the new project are also important. In fact, the banker needs to believe in the person and in the project before committing. Moreover, the SBA generally takes responsibility for the partially subjective dimension of the decision, which is unique to the relational model of commitment—unlike expert systems that base their decisions only on ratings, accounting information, ratios, and risk standards. The SBA thus places a great deal of importance on soft information (e.g., when entrepreneurs talk about their failures, are they on the defensive, do they give the impression of having put it behind them, etc.?).

DISCUSSION

THEORETICAL MODEL

Figure 1 represents the main theoretical contribution of our research. The model identifies the fact that three distinct processes are at work when the banker has to take a decision on whether to finance an application from a PBE. First of all, the banker is influenced by the cultural environment (Lee, et al., 2007; Simmons, et al., 2014; Singh, et al., 2015) and, behaving heuristically (Tversky & Kahneman, 1974), forms an initial negative impression of the PBE (framing). These stereotyped beliefs lead the SBA to place the PBE a priori in a degraded social category (Devers, et al., 2009; Link & Phelan, 2001; Roulet, 2015; Singh, et al., 2015). Our results reveal that this post-bankruptcy stigma is invariable among the bankers (Shepherd & Patzelt, 2015).

Nevertheless, although bankers do consider failure as a factor leading to stigmatization, this evaluation is not necessarily definitive and immutable when the PBE refuses to accept that victim status and tries to start a new business (Simmons, et al., 2014). We have in fact highlighted the fact that post-bankruptcy stigma does not automatically lead to discrimination (Link & Phelan, 2001)—i.e., to a refusal of finance (see Section 4.1). The consequences of post-bankruptcy stigma are not determined socially, because the stigma may be attenuated by the banker's cognitive filters (unframing), in cases where the PBE is not judged to be responsible for what happened (post-bankruptcy stigma being reinforced in the opposite case). There is thus a certain degree of variance in the consequences of post-bankruptcy stigma among bankers (Shepherd & Patzelt, 2015), because a cognitive re-evaluation of the PBE may follow the latter's social devaluation. Finally, through this logic of "making sense" by the SBA, we introduce a much more dynamic vision of post-bankruptcy stigma (Singh, et al., 2015), whose intensity ultimately depends on the banker's interpretation of the reasons for failure (see Section 4.2).

This cognitive latitude (Crocker, et al., 1998) must nevertheless be placed in the banker's decision-making context (Wiesenfeld, et al., 2008). The supervision of the delegation system (Trönnberg & Hemlin, 2014), which is largely based on the regulatory environment, can introduce a form of rigidity into the decision-making process and reverse the favorable opinion given by the banker (reframing). What is more, the banker's intimate knowledge of the expert system may lead to inclusion of this constraint in cognitive mechanisms from the start (Wiesenfeld, et al., 2008). The banker must then arbitrate between own perception of the failure and of the way in which the system will consider that failure (see Section 4.3).

Our theoretical model thus represents post-bankruptcy stigmatization as a dynamic process developed through three distinct filters —categorization, decision-making latitude, and the control framework— that are likely to interact with one another. In this sense, post-bankruptcy stigmatization is an iterative process, since the PBE "label" can be "stuck on," "unstuck," or "stuck back on"—by turns—by the different "stakeholders" who intervene in the process: the sociocultural environment, the SBA, and the control framework. The three sections that follow shed additional theoretical light on each of the three processes of our theoretical model.

CATEGORIZATION OF THE PBE AND DISCRIMINATION IN THE ACCESS TO RESOURCES

Our study confirms that the PBE really does bear a stigma (Simmons, et al., 2014; Singh, et al., 2015), so that bankers really do have a negative image of the PBE at the start. In line with the literature, we also establish the fact that the chances of a PBE obtaining finance for a new entrepreneurial project are reduced (Cardon, et al., 2011; Cope, 2011; Lee, et al., 2007; Shepherd & Haynie, 2011; Singh, et al., 2015; Sutton & Callahan, 1987; Ucbasaran, et al., 2013). Nevertheless, our article gives a nuance to the idea of discrimination against PBEs in the access to resources. The SBA has a negative preconception toward a PBE, but does remain open toward interesting entrepreneurial projects. By adopting the point of view of the banker, and no longer that of the PBE, we thus arrive at different conclusions relating to the decision on whether or not to finance entrepreneurial projects proposed by PBEs. The question may indeed be asked as to whether the banker is not the victim of a form of categorization by the PBE, when reproached by the latter for never giving a second chance (Singh, et al., 2015).

After conducting this research, there is no doubt that post-bankruptcy stigma exists. In this sense, entrepreneurial failure acts as an alert for the banker, to whom financing a PBE's new project means an increased risk for the establishment. The manner in which the same application to buy an existing company is presented really does influence the banker's preferences (Tversky & Kahneman, 1981). In fact, the failure is considered as a precedent that led to losses, which decreases the anticipated returns in the eyes of the SBA (Kahneman & Tversky, 1979). This framing certainly translates into reduced access to banking resources for PBEs, but not necessarily in the proportions that the literature would suggest. In highlighting the fact that the bankers' approach is neither Manichean nor dogmatic, given their different decision-making models, we extend Link & Phelan (2001)'s work in which stigmatization does not necessarily lead to discrimination. The banker's decision-making process proves to be more complex and rich than a simple heuristic approach (Tversky & Kahneman, 1974), which would consist of immediately rejecting any application made by an entrepreneur bearing post-bankruptcy stigma.

POST-BANKRUPTCY STIGMATIZATION AND THE BANKER'S DECISION-MAKING LATITUDE

Up to now, the literature has indicated a great difference in the banker's behavior depending on whether or not the particular entrepreneur has past involvement with bankruptcy. Set against this traditional vision, we demonstrate here that the difference is observed above all between bankers confronted with PBEs, who do not all react in the same way. Although certain SBAs base their decision uniquely on the initial negative impression of the PBE, we show that others will not take their decisions to finance a new entrepreneurial project solely on the basis of a past bankruptcy, but will, on the contrary, seek complementary signals (Ashforth & Humphrey, 1997).

Because of the Banque de France rating, failure is a visible stigma (Ragins, 2008) that the PBE cannot hide from an advisor. On the other hand, the reasons behind this unfortunate event are much more ambiguous (March & Olsen, 1975)—even more so because the PBE seeks to make the best possible impression (Shepherd & Haynie, 2011)—and may possibly be the subject of complementary investigations. While interacting with the PBE, the banker will thus try to discover information that the PBE wants to hide (e.g., has the debt been paid off, what are the real reasons for the failure, what did the entrepreneur do to try to save the company, etc.?). This phase of getting to know the entrepreneur and the reasons for failure may, in fact, be compared to banking commitment technology (Berger & Udell, 2006). As well as analyzing accounting documents, the banker uses a resolutely qualitative approach to justify the decision, basing this on the interview with the PBE. In other words, the SBA uses questioning to reduce the information asymmetry (Sapienza & De Clercq, 2000) concerning the failure. Finally, our study underlines the complementarity of the transactional and relational approaches, and confirms the hypothesis put forward by Berger & Udell (2006) concerning the incongruity of a clear demarcation in the use of these approaches by the banks.

While interacting with the PBE, the banker in fact seeks to refine the initial social categorization by identifying sub-categories of PBEs (Ashforth & Humphrey, 1997). Not all bankers thus remain fixed on their first impression: On the contrary, some try to interpret the stigma (unframing). In other words, they try to make sense of the failure in order to arrive at a more precise evaluation of the credibility of the PBE (Lipshitz & Shulimovitz, 2007). In this respect, we establish that there are, in the mind of the banker, two categories of PBE, depending on whether the failure can be explained by internal or external causes. This result constitutes a real theoretical contribution of our article and can certainly help to explain the defensive strategies adopted by PBEs in managing the impression they give, with the aim of restoring or protecting the image that the SBA has of them (Shepherd & Haynie, 2011; Tedeschi & Melburg, 1984).

Up to now, it was assumed that society considered all PBEs in a global, uniform way (Shepherd & Patzelt, 2015), whatever the nature of the failure that they had suffered. In this article we have shown that, for certain SBAs, the reasons for the failure are more important than the failure itself.

In other words, in their eyes, the hard information (failure) is insufficient as the basis for a decision to commit the bank's funds and must be completed by soft information (the reasons for the failure). On this point, our results endorse Trönnberg & Hemlin (2014)'s conclusions, which show that it is more difficult to take decisions when advisors use soft information. We can, therefore, interpret the decision taken by certain SBAs to refuse applications involving failure as a desire on their part not to expose themselves to the possibility of error or to a difficult or compromising decision in the eyes of their superiors, an important element highlighted by Trönnberg & Hemlin (2014), as well as by Wiesenfeld, et al. (2008).

In any event, the SBA perceives a past management error—as opposed to unfavorable external circumstances (e.g., a bad economic situation)—as a sign of incompetence on the part of the PBE. On the other hand, a failure justified by external factors is, in the eyes of the SBA, more acceptable. As a consequence, the SBA distinguishes clearly between, on one hand, the PBE who is responsible for the situation (whose application will not be supported) and, on the other, the PBE who was a victim of external causes (whose application for finance may be supported).

Finally, our results oppose the very "macro" view of a critical mass of stakeholders—bankers in this case—judging un individual practically in unison (Devers, et al., 2009), by introducing a reading based on the heterogeneity of viewpoints, extending the work of Shepherd & Patzelt (2015). More precisely, although SBAs may initially converge in their negative representation of a PBE, it would appear that in the end they do not necessarily place all such entrepreneurs in the same sub-category. This indicates a certain degree of latitude in bankers' cognitive processes (Crocker, et al., 1998), linked to their degree of risk aversion, which varies widely from one SBA to another.

By analyzing the situation on the basis of the relationship concerning financing and the interaction between the SBA and the PBE, we have been able to refine the reading of post-bankruptcy stigmatization and distinguish between bankers' initial categorization and their potential discrimination, considered here as a simple possible outcome of the decision-making process. By using the point of view of the SBA, this research studies the question of the stigmatization of the PBE from the point of view of those who are likely to do so (stigmatizing actors). As a result, it sheds light on an element that until now has been looked at only from the point of view of the person supposed to be the victim (Singh, et al. 2015). The disjunction between the initial phase of categorization and the final decision (via the interpretative process of the SBA) then explains the potentially reversible character of the stigma, which constitutes one of the important contributions of this research. At the organizational level, Devers, et al. (2009) noted that the reduction (or even the removal) of stigma (for example, through impression-management tactics) constitutes a fruitful direction for research, whereas studies to date have been interested in its emergence and formation.

Although on this point our study is situated at the scale of the individual, it directly echoes Devers, et al.'s (2009) suggestion. It shows that stigma is not an indelible mark (Cave, et al., 2001; Singh, et al., 2015) and that the "trace" left by the bankruptcy can, on the contrary, be eliminated in the eyes of the SBA. The SBA is quite ready to trust a PBE, to the extent that the latter is not a prisoner of a degrading social category (Link & Phelan, 2001). Thus, our research underlines the fact that is it important not only to take into account the time dimension of the post-bankruptcy stigma, but also to dissociate attitude and behavior, as suggested by Link & Phelan (2001). It thus appears that the SBA may have an initially negative attitude (unfavorable mental predisposition) with respect to the failure and a behavior that is finally positive (decision in favor of financing) toward the entrepreneur. In other words, although the SBA really might initially make a negative judgment of the PBE, this judgment is not necessarily definitive.

POST-BANKRUPTCY STIGMATIZATION AND THE BANKER'S CONTROL FRAMEWORK

The impression that the SBA has of the application not only contributes to the decision on whether or not to finance the project: Before that, it also conditions the decision on whether or not to pursue the PBE's application by presenting it to the decision-makers. In this study, we highlight the importance of the decision-making context (Wiesenfeld, et al., 2008) in the SBA's judgment. Even though the SBA may, on an individual basis, take a positive view of the whole application (despite the failure), there is no doubt that—generally speaking—the SBA will have to justify the decision to superiors (Trönnberg & Hemlin, 2014). If the SBA believes in the PBE and the project, there will be a need to defend the PBE, because the latter is clearly weakened in highly risk-averse delegation systems.

It emerges that the SBA can—on the basis of the interpretation of the failure—give a positive opinion but not be supported by superiors, systematically reducing the SBA's room for maneuver on this type of application (reframing). Thus, advisors who might be ready to commit themselves individually say that they sometimes "censor" themselves because they think that their decision-making superiors are unfavorably disposed to post-failure applications. In particular, experience is likely to lead SBAs, over time, to refuse applications that they believe in, in order to avoid finding themselves in conflict with their superiors. An advisor who supported a PBE, in spite of knowing that the bank was not in favor of giving second chances (Singh, et al., 2015), would run the risk of being stigmatized if the entrepreneur failed again and caused the bank to lose money. Kulik, et al. (2008) qualify this phenomenon as stigma by association. This decoupling between individual representations on one hand and the reading of the delegation system on the other is another important result of this research, in terms of explaining PBEs' difficulties in obtaining finance (Simmons, et al., 2014). It also enables us to understand the limits of banks' decision-making processes, both in the case of significant decentralization of decisions that would leave considerable room for a SBA's subjectivity, and in a highly-centralized hierarchical model where the refusal of an application would be motivated simply by the "PBE label".

As a complement to existing work on the organization of banks' decision-making systems (Berger & Udell, 2002, 2006; Stein, 2002), our study thus shows that the rigidity of an expert system in relation to post-bankruptcy stigma may come up against the individual (subjective) beliefs of the banker. Our research enables us, among other things, to underline the fact that soft information, on which the SBA bases the decision, is difficult to communicate, so that the back-office departments, which take the final decision, will not have all the relevant information (Berger & Udell, 2002; Stein, 2002). From this point of view, the delegating hierarchy will base its decision more on a preconception (linked to the stigma), whereas the SBA has, as we have said, a decision-making mechanism that includes other parameters, such as information gleaned from getting to know the PBE. Finally, coordination between the different participants in the process should be envisaged—when the decision is not decentralized—as a commitment technology (Berger & Udell, 2002), at the same level as scoring or contractualization.

CONCLUSION

This article asks the question: How are bankers influenced by post-bankruptcy stigmatization in deciding whether or not to finance a new entrepreneurial project? In order to find an answer, we have chosen to look at the question through the eyes of SBAs, using semi-directive interviews, as well as an exploratory experimental approach. After applying a simple statistical treatment, we used Gioia, et al. (2013)'s coding methodology in order to produce a theoretical decision model for SBAs in relation to entrepreneurial failure. This shows that SBAs are clearly influenced by entrepreneurs' past bankruptcy, which is perceived as signaling a risk. Certain bankers will thus be inclined to limit PBEs' access to resources in the case of new entrepreneurial projects. Nevertheless, we highlight the fact that discrimination by SBAs is far from automatic. Thus, other bankers demonstrate latitude in their decision-making with respect to post-bankruptcy stigma and seek complementary signals—in other words, soft information—through their interactions with PBEs. This means that if SBAs are reassured by their interpretation of the failure (i.e., in cases where it does not call into question PBE competence), they can reverse their judgment and finally adopt behavior that is favorable to the PBEs, even when their initial attitude was negative. However, even if SBAs are open, on an individual basis, to the idea of supporting a PBE's application, they can come up against the rigidity of the delegation system within their establishment.

This research also has managerial significance, because it offers a different view of banking practices. In particular it sheds light on certain cognitive and organizational biases, which limit the quality of the banks' commitment. Although past failure is a signal that cannot be ignored by the SBA, banks would a priori do well to review their representation of failure in order to better understand what justifies a rejection or encourages the decision to continue analyzing the application. In fact, the blocking checks installed by the banks do not seem to be adapted to the diversity of entrepreneurial situations. The results of this research also give a better understanding of how soft information is discovered and analyzed.

This study does, however, have a few limitations. First, the small number of participants in the experiment excluded the option of a deeper quantitative study. Our approach thus remains exploratory. As an extension to our approach, the next step would be to carry out a regression in order to evaluate the place of entrepreneurial failure in bankers' decisions more precisely, alongside other variables such as the quality of the project presented and the decision-making context, for example. Moreover, several participants underlined the small sum being requested in our scenario (€45,000). It is possible that this might have marginally biased our results (for example, by limiting the sentiment of risk being taken in the with-failure scenario). Finally, although the fact of adopting the "micro" vision of the SBA in order to study post-bankruptcy stigma is one of the original aspects of our article, it would appear that the tension observed between, on one hand, the beliefs of the SBA and, on the other, the position of the banking hierarchy when faced with past failures, underlines the interest of further research at the "meso" level. This would involve studying the decision-making process of one bank through a detailed case study.

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ANNEX 1: SCENARIO WITH ENTREPRENEURIAL FAILURE

You have just been recruited as a small business advisor at the Banque de Gironde, Bordeaux-Bastide branch. The branch has Mr. André DURAND among its private clients. He is coming to see you to discuss his possible purchase of SAS GARDEN, a company specializing in wooden maisonettes for private individuals. It is Monday, March 2, 2015 and this will be the first time you have met. At the end of the one-hour interview, you have collected the following information:

PERSONAL DETAILS

- Mr. DURAND was born in 1975.
- In 2005, he and his wife bought a 70m² two-bedroomed flat in Bordeaux worth €250,000. The loan for the property purchase, taken out from your bank in 2005, was fully reimbursed in February 2015.
- Mr. DURAND has just got divorced, having previously been married under the regime giving shared ownership of goods acquired during the marriage only. He has two children aged five and ten. He does not have to pay any alimony to his wife.
- Since his separation, in 2012, he has been renting a 45m² one-bedroomed flat in the Bordeaux metropolitan area (€450/month). An only son, he lives 70 kilometers from his parents, who are retired.
- Mr. DURAND obtained his degree from a provincial business school.
- He has a personal account at your bank (he does not have an account with any other bank), of which the average credit balance over the last two years has been €500 (a single unauthorized overdraft of a few tens of euros over the period). He has no savings and no credit.

PROFESSIONAL DETAILS

After spending seven years as an industrial production manager, then sales manager, in two major international groups in the wood industry, Mr. DURAND found that being an employee no longer matched his career aspirations.

In 2006, Mr. DURAND bought a company working in sustainable construction on the outskirts of Bordeaux. The company, which had been created five years before and employed 25 people, constructed wooden-framed buildings (maritime pine) that were 100% environmentally friendly and well insulated, and had very low energy consumption. Given that the company was in perfect economic health (net profit of €100,000 for each of the three previous years, and a turnover of €1 million), Mr. DURAND borrowed €600,000 from the banks to finance his entrepreneurial project.
He had to repay a priority debt of €100,000/year. Unfortunately, the company was hit hard by the 2008 financial crisis and lost 40% of its turnover in a few months. Because of his loan, the company could no longer balance its books. The next two years were nothing but a long agony for the entrepreneur, with a further 20% fall in turnover over the period. In 2010, Mr. DURAND was obliged to file for bankruptcy. Two years of receivership followed, during which Mr. DURAND lost all the money that he had invested in the project. The company was finally liquidated at the end of 2014. Mr. DURAND thus experienced the first failure of his career, his debt to the banks having been completely paid off.

Mr. DURAND has come to see you today to obtain help in financing the purchase of the company SAS GARDEN, a project on which he has been working for several months. Created in 2012, the company specializes in raw timber maisonettes for gardens. Sub-contracted in France, the maisonettes for private individuals can be personalized and are very easy for clients to install themselves. Mr. Patrick DUMAS, the founder of the company, has negotiated payment after 60 days with his supplier for orders on demand, delivered directly to the client in one month. Mr. DUMAS thus has no stock and has a mark-up of 50% on sales. It is an innovative concept in France and a promising market, although the activity is seasonal (most of the maisonettes are sold between March and September). In 2013, Mr. DUMAS won the Entrepreneurial Initiative Prize for the Aquitaine Region. The press coverage following this award has given the company a certain degree of visibility in the newspapers. Having a product that is unique in France, the company has been growing quickly ever since its creation. With a potential market of several million euros, the company—which employs two people, including the director—had a turnover of €120,000 in 2013. This increased by 60% in 2014 with a profit equal to the operational cash flow of €10,000. This increase is totally consistent with the development of similar products in the USA.

During the interview you learn that:

- Mr. DURAND plans to pay himself €1,400 net per month, the same as Mr. DUMAS.
- SAS GARDEN rents a 25m² office at €240/month on the outskirts of Bordeaux, the director sharing this office with his sales assistant, who is paid €1,000 net per month[8].

Next, you ask Mr. DURAND about his development strategy. In fact, he wants to extend operations all over France from 2016. He also envisages inviting a new associate to invest in the company. He is also thinking about professional applications for the concept (e.g., camp sites, kiosks and stands, made-to-measure rooms, shelters, etc.). This new activity could eventually represent 25% of turnover. He has also thought about networking, and plans very soon to join the Federation of Workers in Wood, which could open new doors to him, allowing him to find new clients. Finally, Mr. DURAND plans several short-term marketing operations:
- Improving the aesthetics of the maisonettes in order to make them unique and recognizable;
- Making a promotional video of the product, for future use on the company's Internet site and on social networks;
- Putting publicity material on the company's vehicle in order to promote its image.

The GARDEN company already has an account at your bank, with an average credit balance of €30,000 in 2014 and the remainder of a business start-up loan of €2,500 (related to the starting up of the company), to be repaid within two years. Mr. DURAND has naturally turned to you to finance his operation. The purchase price for the company is €170,000. Having received a gift of €125,000 from his parents, Mr. DURAND is asking you for a loan of €45,000.

8. Just after the interview, you studied all the accounting information, which confirmed your first impressions about this application.

ANNEX 2: CODING ACCORDING TO GIOIA, ET AL.'S (2013) METHODOLOGY

First-order coding	Second-order coding	Aggregated second-order coding
"The bank's policy is not to put its hand back into the water, other than in exceptional cases. It's part of the risk management policy."	Risk policy	Control framework
"Corporate social responsibility cannot override risk analysis."		
"The application of an entrepreneur who's had a failure is not easy to defend."	Delegation structure	
"When you have an entrepreneur with a bad rating, you find yourself outside the framework of delegated authority, so you have to go before a committee."		
"An experienced SBA will be less enthusiastic about an application from an entrepreneur who has been bankrupt, because he already knows the decision-making structure. So, even if he more or less believes in the application he doesn't want to waste his time."		
"The regulations oblige us to lend better. Lending better in a context of crisis like the current one can mean lending less."	External regulation	
"There is a Banque de France file. It's the first thing we look at. We are necessarily influenced by it."		
"I think that in French culture, an entrepreneur who has filed for bankruptcy is, unfortunately, badly viewed!"	National culture	Categorization
"Some countries give a second chance more easily than France."		
"Nevertheless, that gives a pretty negative first impression."	First impressions	
"He didn't manage to prove himself with the company he had before."		
"Bankruptcy always gives you the willies a bit, because you don't want it to happen when you're involved. They're not necessarily people who you want to work with!"		
"Even if it didn't work out well, he has had an experience that can't be ignored."	Experience	
"Because he had to deal with this bankruptcy, perhaps he'll manage to better anticipate things and not make the same mistakes that he made before."		
"Someone who's gone bankrupt will have significant experience particularly if he analyzes carefully why it happened."		
"An entrepreneur is someone who wants to move forward, pick himself up."		
"You should give him the chance to explain the bankruptcy, rather than immediately giving him a black mark because of it."	Right to make a mistake	Decision-making latitude
"Above all, in a commercial relationship, what interests us is the feasibility of the project and the person who will be running it."	Confidence in project/entrepreneur	
"We want to have a relationship built on trust. We take this into account when deciding whether to finance."		
"If you want to be a good professional, you have to take the subjective elements into account."		
"It's up to us to dig about and find out the real reason for the failure. We don't have any other choice but to question [the applicant] about the failure of the previous project."	Interpretation	
"We ask ourselves: 'Was it his bad management or was it due to the context?'"		
"If I had met him, I would have tried to find out what had happened, what he'd done to try and reduce all his charges, and what he'd done to try and keep the company afloat."		
"As financers, we look at how the bankruptcy ended up."		
"The SBA doesn't believe that the business creator who went bust is without any responsibility whatsoever. Whatever happened, at some point he must have made some bad decisions!"		