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How do entrepreneurs react to investor rejection, try harder or move on?

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HOW DO ENTREPRENEURS REACT TO INVESTOR REJECTION, TRY HARDER OR MOVE ON?

By

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DEDICATION

This dissertation is dedicated to my parents Mr. Zetian Hua and Mrs. Dehua Li who have given me invaluable educational opportunities; to my dear husband Peiwei Li who have given me tremendous support; to Dr. James Fiet, Dr. Robert Garrett, Dr. Ryan Quinn, Dr. Dean Shepherd, and Dr. Michael Barone who have helped and encouraged me to finish this dissertation.

ABSTRACT

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Rejected by the investor is a common challenge that entrepreneurs face in the startup process. This study investigates how entrepreneurs respond to investor rejection. The results indicate the rejection can motivate entrepreneurs to learn from the rejection and improve venture image. Meanwhile, investor rejection can also increase entrepreneurs' tendency of withdrawal from the investor and exit intention. Rejected by investor also increase entrepreneurs' doubts about the investors' competency. This study finds both the alternative funding source and the fairness of the rejection can impact entrepreneurs' rejection responses. Also, the individual difference influences how entrepreneurs deal with investors' rejection. The empirical evidence also indicates even given the same level of alternative funding source and fairness; entrepreneurs react to rejection differently based on self-efficacy, self-esteem, and resilience. This study offers some preliminary evidence on the mechanism of entrepreneurs' rejection responses, which I hope to contribute to further conversation and research on the study of investor rejection.

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CHAPTER I

INTRODUCTION

"Take my company, Automated Insights, as an example. We raised $10.8 million over three rounds before getting acquired shortly after our Series B closed. We were covered extensively as an early example of an AI company and considered one of the success stories in the Raleigh-Durham area. But outside of our seed round, the fundraising was by no means "easy." I was never concerned about going out of business, but it required dozens and dozens of conversations with investors. As I look back in our fundraising spreadsheets, I can count over 175 firms or individuals that turned us down."

Robbie Allen, CEO of Infinia ML, Inc

The process of starting a new venture is challenging. How entrepreneurs deal with various challenges has drawn much attention from the entrepreneurship field recently. This research stream includes how entrepreneurs learn from business failure (e.g., Byrne and Shepherd, 2015; Cope, 2011; Khelil, 2016; Shepherd, 2003; Shepherd et al., 2011); how fear of failure motivates and inhibits entrepreneurial activities (e.g., Cacciotti et al., 2016; Cacciotti and Hayton, 2015; Kollmann et al., 2017); how entrepreneurial activities help individuals buffer and recover from natural disaster (e.g., Shepherd and Williams, 2014; Williams and Shepherd, 2016). To further extend this line of research, this dissertation investigates how entrepreneurs respond to investor rejection during their fund-seeking process.

Capital is crucial for a venture's survival and development (Cooper et al., 1994; Gilbert et al., 2006; Plummer et al., 2016). Usually, a venture needs multiple rounds of funding to achieve a certain scale. Thus, seeking investments is a routine job for an

entrepreneur to accomplish in the startup process. In the fund-seeking process, entrepreneurs might encounter multiple rejections from the investors. In one of his online article, Robbie Allen, the CEO of Infinia ML, wrote that "over 175 firms or individuals turned us down", in spite of his venture was considered as "one of the most successful story" in the related field. Being rejected by investors is a very common phenomenon in the startup process. Although rejection has not been directly studied in the entrepreneurship field, the previous research discusses it from economic and financial perspective. For instance, "credit constraints" and "limited access to the capital" imply the existence of rejection (e.g., Chow and Fung, 2000; Pissarides, 1999). Another well-known research topic in our field is venture capitalists. Many studies in this stream have investigated the criteria investors used to select a few winners from hundreds of applications. The characteristics of the winners and the decision processes of venture capitalists have been well investigated (e.g., Fiet, 1996; Zacharakis and Meyer, 1998; Zacharakis and Shepherd, 2001). However, prior research paid little attention to the entrepreneurs who did not win the investment.

Rejection is an important and interesting research topic because of the following reasons. First, entrepreneurs' well-being has drawn more and more attention from the entrepreneurship scholars (Cardon et al., 2012; Shepherd, 2015). Rejection can be highly influential for entrepreneurs' well-being since numerous studies have proved that rejection can negatively impact one's psychological and physical health. Rejection can cause sadness, loneliness, jealousy, frustration, disappointment, etc. (Leary et al., 2001). Rejection is also painful. Eisenberger, Lieberman and Williams (2003) conducts an experiment wherein participants joined a tossing game and find that participants' anterior

cingulate cortex – the area of the brain linked to the experience of pain – is more active during exclusion than inclusion. Their study indicates that rejection does not only hurt one's feelings but also brings physical pain to the rejectees. Other than making the rejectees suffer emotionally, rejection is also positively associated with antisocial behaviors, such as hostility and aggression, violence, depression, substance consumption, and procrastination (Leary et al., 2006; Starr et al., 2008; Twenge et al., 2002).

Secondly, rejection is an import research topic because it does not only influence entrepreneurs' personal well-being, but also influence their venture strategies. Although sometimes the rejection is caused by investors misjudgments, most of the time the failure of obtaining investments may indicate the flaw of the venture idea or strategy. Entrepreneurs create their venture in the fast-changing environment with many uncertainties. Evidence indicates that during venture creation process, investors offer not only financial capital but also useful mentorship, suggestions, and feedbacks (e.g., Baum and Silverman, 2004; Mitteness e 2012). It may take years for an idea eventually turn into profits. Before entrepreneurs launching their product/service to the market and collecting feedback from customers, investors are an important source for entrepreneurs to assess their performance. A rejection indicates the disparity between investors' and entrepreneurs' evaluation of the venture's worthness. Realizing this disparity, some entrepreneurs may improve their venture strategy, while others may quit the venture. Thus, rejection can induce both motivating and inhibiting responses. It can make entrepreneurs either try harder next time or move on to something else, depending on the entrepreneurs' interpretations of the rejection and their abilities to regulate the negative emotions caused

by rejection. Rejection's significant individual and strategical impacts and its dual motivating effects offer great research opportunities for entrepreneurship scholars.

Research Questions

In this study, I investigate the following research questions.

Research Question 1: How does investor rejection impact entrepreneurs?

Rejection is a critical event during the startup process. It can trigger many negative emotions. It also signals the shortcomings of a venture. Both negative emotion and the signal for flaw can trigger motiving and inhibiting responses. On the one hand, negative emotion after rejection can trigger the sense-making process. Thus, in this study we examine whether entrepreneurs learn and whether they refer to their ventures more positively after experiencing rejection. On the other hand, negative emotion can also provoke self-protection reactions; entrepreneurs may withdraw from the interactions with their investors so they won't get hurt again. Entrepreneurs can also invalidate the rejection by denying investors' qualification of judging the venture. When entrepreneurs realize that the rejection indicates the defect of the venture, they may also consider abandoning the business. As such, I investigate rejection's dual effects in this study: the motivating effects includes *learning from the rejection* and *impression management*; while the inhibiting effects includes *withdrawal*, *exit intention*, and *derogation*.

Research Question 2: How does the nature of rejection motivate entrepreneurs to react to rejection differently?

The financial consequences of rejections are identical: entrepreneurs fail to obtain the required capital for their business. However, entrepreneurs may experience rejection in

different contexts. Sometimes the rejection is based on a fair and thorough evaluation of entrepreneurs' application. Sometime entrepreneurs may feel the rejection is based on investors' personal opinions. Entrepreneurs may feel the rejection is not a big deal when they have other alternative funding sources; whereas, rejection can cause severe damage when entrepreneurs' only hope for financial support turns them down. The current study investigates the impact of two construals of rejection: *the possibility of alternatives* and *perceived fairness* on entrepreneurs' rejection response.

Research Question 3: What individual characteristics make entrepreneurs react to rejection differently?

Another important factor can influence entrepreneurs' rejection responses is individual characteristics. Rejection can provoke negative emotions and can be a signal of a venture's flaws. Thus, this study also includes three individual characteristics: *entrepreneurial self-efficacy*, *resilience*, and *self-esteem*. Entrepreneurial self-efficacy measures entrepreneurs' confidence in conducting entrepreneurial activities (e.g., McGee, Peterson, Mueller, and Sequeira, 2009). Thus it may influence whether entrepreneurs take action after receiving the signal of flaw. Resilience measures an individual's ability of keeping a stable emotional status under adversity (e.g., Williams and Shepherd, 2016). When the rejection is perceived as unfair or when the alternative funding source is limited, resilience is an important factor for entrepreneurs' rejection responses. In addition to signaling the defect of the venture, rejection also indicates the investor devaluates the venture. Many entrepreneurs take the success of their venture as part of their self-worth. In this case, the rejection threatens their ego. Self-esteem measures individuals' belief of their self value (Baumeister et al., 1989). Entrepreneurs' rejection responses are influenced by

the disparity between their belief and investors' evaluations. Thus, self-esteem is also an important factor for the rejection outcomes.

This study makes several contributions to the entrepreneurship research field. First, scholars in the entrepreneurship field have paid more attention to the challenges, such as business failure (e.g., Mueller and Shepherd, 2014; Shepherd, 2003; Shepherd et al., 2009), war (e.g., Bullough et al., 2014) or nature disasters (e.g., Shepherd and Williams, 2014) in the venture creation process. Those obstacles do not only provide challenges to entrepreneurs but also offer valuable growth opportunities for them. To further enrich this line of research, this study investigates a very specific and common challenge entrepreneurs are facing – investor rejection. The discussion of rejection's motivating and inhibiting effects provides a comprehensive understanding of this phenomenon. Understanding how entrepreneurs learn and improve their funding strategies after rejection enables us to join the ongoing conversation about the potential positive impact of negative event in the startup process. Second, this study responses to the research call for studying emotions in our field (e.g., Cardon et al., 2012; Shepherd, 2015). Entrepreneurs are human beings, thus, they are subject to the influence of affect. Emotions, such as fear and passion (e.g., Cacciotti et al., 2016; Cardon et al., 2009; Morgan and Sisak, 2016), impact the entrepreneurial process in various ways. The type and intensity of the negative emotion caused by the rejection triggers different responses. A thorough discussion of the emotions following rejection is conducted in this study, which extends the understanding of the role of emotion in the entrepreneurship field. Third, this study also responds to the call for studying the interaction between personality trait and context (e.g., Zhang and Cueto, 2017). Different entrepreneurs respond to rejection in different ways under different

circumstances. The impact of both the contextual factors, such as alternative financial source, and individual characteristics, such as resilience, on entrepreneurs' rejection responses in this study. The discussion of the main and interaction effects offers a comprehensive understanding for the response mechanisms.

The study processes as following: after motivating the research in Chapter 1, a comprehensive literature review and the development of hypotheses are presented in Chapter 2. The methods and results are presented in Chapter 3. Later, I conclude and discuss the theoretical and practical implications of the finding in Chapter 4. The conceptual model of the current study is presented in Figure 1

CHAPTER II

LITERATURE REVIEW AND HYPOTHESES

Rejection

Although rejection has not attracted enough attention from the entrepreneurship field, it has been investigated in various forms in other research fields, such as psychology, sociology, education, and management. Rejection is mentioned in the form of ostracism, stigmatization, discrimination, peer rejection, and social exclusion (Eisenberger et al., 2003; Leary, 2001; Smart Richman and Leary, 2009; Stout and Dasgupta, 2011). Rejection has been found associated with many negative psychological, physical, and behavioral outcomes. After receiving rejection, people experience multiple negative emotions such as hurt feelings, shame, anxiety, sadness, loneliness, jealousy, anger, frustration, and disappointment, etc. (Leary et al., 2001). Researchers also find rejection can decrease self-esteem (Leary et al., 1995; Sommer et al., 2001). People feel less belonging and control after being rejected (Williams et al., 2000; Zadro et al., 2004). Rejection can also physically hurt people. Eisenberger et al. (2003) examines humankind's neural reaction to rejection. They conducted an experiment in which participants are excluded from a virtual ball-tossing game gradually, and find that participants' brains react to social exclusion similarly to physical pain. Other medical related studies also find rejection is associated with increased blood pressure and cortisol levels (Gunnar et al., 2003; Stroud et al., 2000). Experiencing rejections also changes people's behaviors. In Twenge et al., (2002) study,

they manipulate the feedback of participants' future after letting the participants finish a personality test and find that when participants be told they would have a lonely future, those participants are more likely to engage in unhealthy behaviors. Rejection is also positively associated with antisocial behaviors, such as hostility and aggression, violence, depression, substance consumption, and procrastination (e.g., Leary et al., 2006a; Starr and Davila, 2008; Twenge et al., 2002).

In entrepreneurship area, rejection is a common phenomenon but has only been studied indirectly. Two research streams in entrepreneurship are indirectly related to investor rejection. The first one is the investors' decision criteria. The second one is financial constraints. By conducting a co-citation analysis with Frontiers of Entrepreneurship Research, Gregoire et al., (2006) identify that a cluster of research focused on venture capitals' decision criteria. Tyebjee and Bruno (1984) and Macmillan et al., (1985) both mention that one important component of the venture capitalists' job is routinely screening the received funding proposals. Therefore, rejecting entrepreneurs' applications is part of the investors' job. Financial constraint is another research stream that indirectly studies rejection. The limited accessibility to credit and equity has been identified as an important factor that constrains the survival and growth of small ventures (Binks and Ennew, 1996; Colombo and Grilli, 2007; Mudambi and Treichel, 2005). Either it is due to information asymmetry or transaction cost, the existence of financial constraint does imply that rejection from banks or other financial intuitions is common in the startup process. Even though many studies in entrepreneurship are indirectly related to rejection, the direct impacts of rejection on entrepreneur's well-being and venture strategies are not comprehensively studied. For instance, research in the venture capitalists' decision area

mainly focuses on investors and the ventures which have gained investment. Studies about financial constraint are mainly focused on macro levels, such as the imperfection of the capital market, the economic development, or the policy-making process. By offering a thorough and comprehensive examination of entrepreneurs' rejection responses, this study fills the gap between a commonly existed phenomenon and the incomprehensive theoretical explanation.

Seeking investments is a common and important activity for entrepreneurs in the startup process. In fact, many entrepreneurs' financial applications fail. The failure can deeply impact entrepreneurs not only financially but also emotionally. A venture's financial situation does not change by the unsuccessful attempts. Failure to obtain investment simply indicates the capital shortage remains. However, the failure is unbearable because entrepreneurs may feel they are rejected by investors. Due to their huge emotional commitment to their ventures, entrepreneurs' self-evaluations are closely intertwined with their ventures (Cardon et al., 2005; DeTienne et al., 2008). Thus, the investor rejection can trigger negative emotional reactions similar to interpersonal rejection.

Why is rejection an unpleasant experience? Baumeister and Leary (1995) proposes that the need for belonging is a fundamental human motivation. As human beings, we all desire to be accepted by others to fulfill the need for belonging. A rejection indicates our fundamental need is not satisfied, which can trigger many negative emotions, such as hurt feelings, jealousy, sadness, shame, anger, etc (Leary, 2015). Baumeister and Leary explain the connection between rejection and negative emotions through the lens of evolution. They suggest that the possibility of early human beings' survival and reproduction was

depended on whether their communities could accept them. With limited resources and competence, an early human who lived without help and support from others had a higher chance of premature death. In this case, an individual's demand for social attachment and acceptance is an adaptation through evolution. Leary (2001) mentions that in the adaptation process, emotion works as a "sociometer." An individual experiences positive emotions when others accept him/her, and experiences negative emotions when he/she receives rejections. Emotion works as a monitoring system to help an individual adjust his/her behaviors and strategies in social life. People may feel hurt, sadness, and frustration when others reject them. Negative emotion warns an individual to avoid the same consequence in future social encounters. Therefore, a person may adjust his/her behaviors and strategies under similar circumstances in the future. People feel happy, secure, and satisfaction when others accept them. Positive emotion motivates an individual to pursue the similar rewarding results. In this case, positive emotions help humankind to enhance their appropriate behaviors and strategies in social life. This sociometer system, positive emotions following acceptance and negative emotions following rejection, helps early human being maintain sufficient sense of belonging so they can survive in the resource-limited environment. Modern human inherits this system from our ancestors. Therefore, people always desire acceptance and feel distressed when they receive rejections. Building on the sense of belonging theory, Richman and Leary (2009) propose a multimotive model, which explains the three type of rejection responses in detail.

The theoretical framework used in this dissertation is adapted from Richman and Leary (2009) multimotive model. This model proposes three types of rejection response: prosocial, avoidant, and antisocial response. Each type of responses is triggered by

different mechanism triggers. Prosocial responses refer to the reaction which can increase ones' chance to be accepted again. This type of responses is motivated by individual's desire for belonging. Avoidant response is triggered by people's self-protection mechanism. Sometimes the negative feeling caused by rejection is too intense, thus, rejectees want to avoid the interaction with rejector again. Antisocial response, such as hostility and aggression, refers to the behaviors that decrease one's chance to be accepted again. Antisocial response is also triggered by intense negative emotion, but instead of distress, those violent responses are most likely triggered by anger.

In this study, I adapt the multimotive model and apply it in the entrepreneurial context. Since responding to investor rejection with aggression and hostility is relatively rare in the real world, I select to investigate the most relevant responses: prosocial and avoidant responses. Studying the dual outcomes of rejection is also in line with other research that investigates negative events in the entrepreneurial process. Those studies reveal that the unexpected negative events may not only inhibit one's entrepreneurial activities but may also motivate entrepreneurs to improve their venture performance. Williams and Shepherd (2016) propose that after the natural disaster, creating a venture can see as the transformation and development opportunity for the victims. Shepherd and Williams (2018) discuss the "rock bottom" model and explain why someone can create a new work identity while others just languish after lost their working identity. Cacciotti et al., (2016) argue that the fear of failure can inhibit one's entrepreneurial intention, meanwhile, it also can motive entrepreneurs to work hard in case of losing what they have created. In this study, I predict that the investor rejection also has a dual impact on entrepreneurs just like other negative events. After experiencing rejection, entrepreneurs

may want to quit the venture. Meanwhile, rejection can also motivate entrepreneurs to learn and perform better in the next funding round.

Richman and Leary (2009) propose that individuals' rejection experience and personality trait are the key influential factors for their rejection responses. Their multimotive model proposed six construals that can influence an individual's response to rejection. Those six construals are the possibility of alternatives, perceived fairness, expectations of relational repair, cost of rejection, the value of relationships, and chronicity of rejection. Most rejection studies in the psychological and sociological field investigate the interpersonal relationships, such as the relationship between lovers, friends, or peers. Those interpersonal relationships are different from the entrepreneur and investor relationship. In an interpersonal relationship, such as romantic relation, the candidate's relational value is assessed by the other party. In an entrepreneur-investor relationship, it is not only an entrepreneur's relational value, but also the venture's value is assessed by the investor. Thus, to apply the multimotive model in the entrepreneurial context, this study includes two construals from Richman and Leary's (2009) multimotive model: the alternative relationship and perceived fairness. Those two construals are relevant, objective, and important factors in the funding seeking process. Also, the alternative funding source and fairness in the application process are characteristic of the context in which entrepreneurs create their ventures. This selection also responds to the research call for studying the interaction between context and personality in the entrepreneurship area (Zhang and Cueto, 2017).

Prosocial Responses

Prosocial responses are reactions that "*appear designed to increase one's acceptance in the eyes of other people and to promote one's relationship with them*" (Smart Richman and Leary, 2009, p. 9). The sense of belonging is a fundamental human need (Baumeister and Leary, 1995). When an individual's fundamental need is unsatisfied, a spontaneous response is to restore the lost sense of belonging. The need to restore a sense of acceptance triggers the prosocial response, which means the individual who received a rejection has an urge to do something to regain acceptance. For instance, in a group setting, the rejectees may work harder to regain the others' acceptance. Williams and Sommer (1997) find that participants work harder collectively when they are facing group ostracism. Xu et al., (2015) also find that a group member with high group identification engages in more helping behavior under the threat of ostracism. The rejectees may also restore the sense of belonging by establishing new relationships. For instance, social exclusion increases one's desire to make new friends (Maner et al., 2007). Laurin et al., (2014) also find that an individual feels closer to God when he/she feels insufficient acceptance from other people.

In another word, rejection sometimes has a motivating effect on rejectees. The motiving effect of negative events also happened in the entrepreneurship field. For instance, several studies find that some entrepreneurs who encounter failure in previous business, still try hard to start a new venture later (Hayward et al., 2006; Hessels et al., 2011). After receiving rejections, entrepreneurs also have the incentive to do something to

win their investors back or contact other investors. In addition to the need for capital, entrepreneurs' desires to reconnect to investors also originate from their needs for belonging. Rejected by investors indicates the investors and the entrepreneurs evaluate the venture differently. To reduce this difference, entrepreneurs may adapt better impression management strategies, such as referring their venture more positively in front of other potential investors. Entrepreneurs may also make sense of the unsuccessful attempt and learn from it so that they could have a higher chance to get fund in the next application. The following section further discusses how the financial environment and application process influence those two types of prosocial response: learning from the rejection and impression management.

The Possibility of alternatives and Prosocial Response

The possibility of alternatives is defined as *how possible it is to establish an equal quality relationship with an alternative source.* When the possibility of establishing an alternative relationship is high, rejectees are more likely to respond to rejection prosocially (Richman and Leary, 2009). Belonging is a human being's fundamental need, and when this need is not satisfied, people experience a series of pain, frustration, distress (Smart Richman and Leary, 2009). Fortunately, the source of the sense of belonging is replaceable. When one source of acceptance rejects an individual, he/she is motivated to restore the sense of belonging from an alternative source (Baumeister and Leary, 1995). Rusbult (1980) finds that the alternatives influence one's commitment and satisfaction in a romantic relationship. When the possibility of an alternative relationship is high, it is easier for a rejectee to restore the sense of belonging through establishing a relationship with an alternative. To gain the acceptance from the alternative source, individuals are motivated

to act prosocially. They are motivated to demonstrate higher relational value when they come across the alternative source. The experiment of Dewall and Richman (2011) indicates that socially excluded individuals behave selfishly and antisocially when there is no chance of acceptance but behave unselfishly and prosocially in the situation when acceptance is possible. Dewall et al. (2010) find that the impact of social exclusion on aggression can be diminished by even a small possibility of acceptance. Twenge et al. (2007) find from their experiment that a short friendly interaction can significantly eliminate a rejectee's aggressive behaviors. Therefore, the more alternatives exist, the more likely a rejectee respond to the rejection prosocially.

The accessibility of entrepreneurial capital has shown significant impact on venture creation rate and performance (Audretsch, 2007; Stenholm et al., 2013). In addition to its impact on the new venture's profit and productivity, the alternative funding source can influence entrepreneurs' rejection response too. I propose that if an entrepreneur is in an environment with many alternative funding sources they are more likely to respond to rejection prosocially: they will learn from the rejection and improve their impression strategies.

Rejection can be count as the failure of the funding application, which offers entrepreneurs with valuable opportunity to learn from it. Consistent with Shepherd et al., (2011)'s definition of learning from failure, learning is defined as "*the sense that one is acquiring, and can apply, knowledge and skills"* (Spreitzer et al., 2005, p. 538). Shepherd et al., (2011) propose that failure can work as the feedback on previous assumptions, which motivates individuals to collect and analyze information about the undesired outcome. Failure, or rejection, always following with certain negative emotions. Those negative

emotions are the switch for the sense-making process (Clore, 1992; Ellis and Chase, 1971). To make sense of the unexpected result, individuals scan and process information about failure events. Using the information individuals identify the details and strategies that need to be modified, by doing this, they can improve their success rate in a similar scenario later (Baron, 2000; Eisenhardt and Martin, 2000; Kim and Miner, 2007). The alternative funding source positively associates to this process for two reasons. First, negative emotion is the trigger of sense-making process. However, too much negative emotion represses one's cognition function, which can become the obstruct for learning (Ashforth and Kreiner, 2002; Shepherd, 2003; Sitkin, 1992). Byrne and Shepherd (2015) find that "high negative emotion motivate, and high positive emotion inform, sensemaking efforts" (p. 375). The existence of alternatives makes the current rejection less suffering. "The sting of rejection can be soothed if people perceive (or even imagine) the possibility of relationship alternatives" (Richman and Leary, 2009, p. 8). When entrepreneurs experience rejections in an environment with sufficient entrepreneurial capital, they experience less intense negative emotions, which offers them enough cognitive resource to process the information and knowledge generated from the failure. Second, the alternative funding source motivates the entrepreneurs to apply for fund again. The more alternatives exist, the more likely an entrepreneur apply for the fund from those alternatives. The possibility of filing the investment application again motivates the entrepreneurs to recheck what went wrong in the previous application. This recheck process can be a valuable learning opportunity (Corbett et al., 2007; McGrath, 1999; Sitkin, 1992). Thus, I predict that the more alternative exists, the more likely an entrepreneur learn from previous rejection.

H1: Entrepreneurs with high possibility of alternative funding source learn more from investor rejection than entrepreneurs with low possibility of alternative funding source.

In addition to learning from rejection, entrepreneurs may engage in another type of prosocial response, impression management, to increase their chance of acceptance. Through impression management, individuals or organizations can establish a positive image in the others' eyes and achieve a certain goal (Dutton et al., 1994; Mael and Ashforth, 1992). Many new ventures have little tracking history and do not have sufficient tangible assets or sales data to prove their legitimacy. Thus, investors' judgments more or less relied on entrepreneurs' only claim about their venture (Maxwell et al., 2011; Parhankangas and Ehrlich, 2014). In this case, entrepreneurs' impression management strategies are very important for them to secure funding. Entrepreneurs can establish a positive image through promotion, exemplification, and supplication in the key shareholder's eyes (Parhankangas and Ehrlich, 2014).

When entrepreneurs experience rejection in an environment with sufficient entrepreneurial capital, they are motivated to pursue the alternative funding source. By doing so, they could satisfy their needs for funding and belonging. Impression management can be a very useful tool to gain the attention from the alternative investors. Thus, I predict a positive relationship between the possibility of alternatives and entrepreneurs' impression management strategies.

H2: Entrepreneurs with high possibility of alternative funding source engage in impression management more frequently than entrepreneurs with low possibility of alternative funding source.

Perceived Fairness and Prosocial Responses

The perceived fairness of the rejection can also influences people's rejection response. Adapted from the Richman and Leary (2009), perceived fairness is defined as *to what extent the rejectee perceives the rejection is deserved and fair.* Individual may react to the rejections differently based on whether they deserve it. The types of negative emotions triggered by a fair or unfair rejection are different. The emotions followed by a rejection that is expected can be sadness, remorse, shame, guilt, or self-pitying, while the emotions triggered by an unfair rejection are most likely to be anger, pain, powerlessness, and hatred (Fitness, 2012; Fitness and Fletcher, 1993; Leary et al., 1998; Richman and Leary, 2009). Those emotions direct rejectees' responses. When people receive a rejection that they perceive as a fair one, they are more likely to behave prosocially. They have the intention to restore their sense of belonging through apology and reparation. When people perceive a rejection as an unfair one, they are more likely to behave antisocially. One common emotional response to unfairness is anger (Lind and Tyler, 1988; Richman and Leary, 2009). Miller (2001) proposes that the unfairness is an indicator of the threat of one's well-being and people feel angry and behave hostilely and aggressively when their well-being is compromised. Thus, an unfair rejection is less likely to trigger prosocial responses. A good example of showing peoples' different responses toward fair and unfair rejection is betrayal. Betrayal in a romantic relationship includes both fair and unfair rejections. The offenders in the betrayal perceive the affair as an unexpected and unfairly violation of the shared beliefs (Fitness, 2012). They usually respond to the affair antisocially, for instance, offenders may take revenge toward the betrayer, conduct physical abuse, or threat to move out (Fitness, 2012). Even for the offenders who eventually forgive

the betrayer, half of them report that they have punished their partners in certain ways, such as intentionally mention the affair (Fitness, 2012). To the contrary of the offenders' antisocial response, betrayers are more likely to behave prosocially toward offenders' cold treatment or the threat of terminating the relationship. They know they deserve those rejections. Thus, they are more likely to respond the rejection with repeated apology, confession, and reparation (Fitness, 2012).

In the capital seeking process, entrepreneurs may receive some rejections that they believe as unfair. Their perceived unfairness can be triggered by the following three reasons. First, there is not a general standard to evaluate a venture. The term entrepreneurship refers to the actions that create or reorganize something that previously did not exist (Eckhardt and Shane, 2003). By its nature, each new venture contains something unique. Investors have to rely on subjective judgment and personal experience to screen and evaluate the funding applications. Entrepreneurs may feel the rejection is unfair when they believe the rejection heavily relies on one investor's subjective opinion. Second, entrepreneurs are labeled as overconfident and overoptimistic (Forbes, 2005; Lowe and Ziedonis, 2006). They are passionate about what they are doing (Cardon et al., 2005) and are highly committed to their venture (Baron, 1998). Thus, entrepreneurs' overestimation of their venture can also provoke the perceived unfairness. Third, entrepreneurs possess specific information about their venture which is unavailable to the investors, which cause the information asymmetry between entrepreneurs and investors (Fiet, 1996, 1995). This information asymmetry can be the source of entrepreneurs' perceived unfairness during fund seeking process.

The perceived fairness of the rejection can influence entrepreneurs' rejection responses. Entrepreneurs are more likely to learn from rejection when they perceive the rejection as a fair one. First, the type of emotions followed a fair rejection, such as guilt, remorse, or shame, is less likely to trigger antisocial response (Fitness, 2012). Also, the intensity of the negative emotion followed a fair rejection is much lower than an unfair rejection. Negative emotion can trigger the sense-making process. However, too much negative emotion obstructs one's cognitive function. Thus, entrepreneurs are more likely to learn from a fair rejection than an unfair rejection. Second, if an entrepreneur perceives a rejection is fair, he/she usually receives an objective assessment of the venture. The rejection is considered as fair when the investor points out some critical flaws of the venture which the entrepreneur already realizes. In this case, the information and feedback from the investor is rich and easy for entrepreneurs to process. Learning from rejection is a process during which rejectees collect and analyze the information. By doing so, they could explain the rejection and improve application strategies. The cause of the rejection is usually clearer through a fair evaluation, which offers useful insight and feedback for entrepreneurs to interpret. In summary, I predict that the fairness of the rejection is positively related to learning from rejection.

H3: Entrepreneurs who perceived the rejection is fair learn more from investor rejection than entrepreneurs who perceived the rejection is unfair.

The impact of fairness on entrepreneurs' impression management is more complex. On the one hand, a fair rejection offers enough emotional and cognitive resource for the entrepreneur to behave prosocially. On the other hand, a fair rejection also indicates some fatal flaws of the venture. If an entrepreneur realizes that the venture will not succeed

eventually, he/she will not be motived to pursuit another funding source. Thus, I do not predict a direct impact of fairness on an entrepreneurs' impression management. The relation between fairness and impression management depends on how entrepreneurs interpret the rejection. In the following section, I include a key individual-level cognitive resource: entrepreneurial self-efficacy and discuss its impact on the entrepreneurs' interpretation of a fair rejection.

The Moderation Effect of Entrepreneurial Self-efficacy

Entrepreneurial self-efficacy measures one's confidence of conducting entrepreneurial task (e.g. McGee et al., 2009). This characteristic has shown a significant positive link with one's entrepreneurial intention, activity, and performance (Boyd and Vozikis, 1994; Chen et al., 1998; Hsu et al., 2017; Zhao et al., 2005). Based on the self-verification theory, people are motivated to maintain their beliefs and feelings about themselves (Swann, 2012, 1983). When their self-belief or self-image is threatened, individuals are motivated to restore their self-views. High self-efficacy entrepreneurs are confident about their entrepreneurial ability, however, experiencing rejection challenges this belief. One way to recover from the failure of the funding application is to get investment from an alterantive source. Also, high self-efficacy entrepreneurs are more confident about their ability to get fund. They assume a better outcome and have the need to attract an investor to verify their self-view. Thus, when the alternative funding source presents, entrepreneurs with high self-efficacy are more likely to pursue the alternatives. The high self-efficacy entrepreneurs are motivated to make sense of the previous rejection so that they could perform better next time. They are also more likely to improve their venture image to attract the alternative investors. Low self-efficacy entrepreneurs are less

confident in their ability to attract investors and lack of urge to prove their ability. Thus, even the alternative funding source is available; they are less motivated to pursue it. Following this logic, I predict that entrepreneurial self-efficacy enhances the positive effect of alternatives on prosocial response.

H4: As the possibility of alternative raised, high self-efficacy entrepreneurs' learning increases more than low self-efficacy entrepreneurs' learning.

H5: As the possibility of alternative raised, high self-efficacy entrepreneurs' impression management increases more than low self-efficacy entrepreneurs' impression management.

Entrepreneurial self-efficacy can also buffer the negative impact of injustice on entrepreneurs' prosocial response. An unfair rejection offers an ambiguous clue about the venture's value and performance. Investors may reject the application due to personal bias. Alternatively, their decision may base on a thoroughly evaluation of the venture, but they never make it clear to the entrepreneur. In both situations, entrepreneurs may perceive the rejection as unfair. In an ambiguous environment, entrepreneurs rely on their own judgment more (Ensley et al., 2006). High self-efficacy entrepreneurs have a strong belief of their competence in conducting the entrepreneurial task. Thus, they are more likely to interpret the unfair rejection as a misjudgment. The investor has made a mistake, and their venture is still worth investment. In this case, they are still motivated to continue the fund seeking, which means they are more likely to respond to rejection prosocially; whereas, the entrepreneurs with low self-efficacy are more likely to interpret the ambiguous situation as a clue for venture flaw. This interpretation is consistent with their self-brief: they are not

capable of operating a venture. Since they predict a pessimistic outcome for the venture, when low self-efficacy entrepreneurs experience unfair rejection they are less likely to response prosocially. In a fair rejection, investors usually offer an objective evaluation and give more detailed feedback to the entrepreneurs. The relatively rich information from a fair rejection offers more detailed guidance for entrepreneurs to learn and improve their venture. In this case, both low and high self-efficacy entrepreneurs have the resource to learn and improve their funding strategies. Fairness is a very important factor for low self-efficacy entrepreneurs to decide whether they should keep on seeking funding. However, the impact of fairness on the prosocial response is less significant for high self-efficacy entrepreneurs, since their confidence makes them less vulnerable to injustices. I predict that the impact of fairness on prosocial response attenuates by entrepreneurial self-efficacy.

H6: As the perceived fairness raised, low self-efficacy entrepreneurs' learning increases more than high self-efficacy entrepreneurs' learning.

H7: As the perceived fairness raised, low self-efficacy entrepreneurs' impression management increases more than high self-efficacy entrepreneurs' impression management.

Avoidant Response

In addition to the prosocial responses, another type of rejection response is avoidant responses. It refers to the situation that the rejectee physically or psychologically "*withdraw[s] from and avoid[s] interpersonal interaction*" (Richman and Leary, 2009), p18). The avoidant responses are triggered by people's self-protection system. Rejection can generate two types of negative consequences: social pain and ego-threatening

(Bourgeois and Leary, 2001; Leary, 2015; Richman and Leary, 2009). Rejectees' coping strategies for those two repercussions are different. To self-protect from the social pain, rejectees may escape from the individuals/situation which causes/reminds them of the painful experience. In addition, rejectees can invalidate the devaluation by derogating the qualification of the rejector to protect one's ego.

Avoidant Response: Withdrawal and Exit Intention

Rejection is painful. Human brains react to social exclusion similarly to how they react to physical pain (Eisenberger et al., 2003). The painful experience leads to a sense of vulnerability following rejection (Vangelisti, 2001). One way to stay away from the social pain is withdrawal from the current relationship and avoid similar situations in the future (Ren et al., 2015; Sommer and Bernieri, 2015). The rejectees can distance themselves from the rejecters physically or psychologically to avoid the distress caused by rejection, for instance, ostracism experience increases one's desire to be alone (Ren et al., 2015).

Just as other obstacles in the startup process, rejection has both motiving and inhibiting effects on entrepreneurs. To restore the lost sense of belonging, entrepreneurs may behave prosocially after rejection. They are motivated to work harder and make some improvement to attract other investors. Meanwhile, rejection is painful. To self-protect from the undesired social pain, entrepreneurs may also engage in avoidant response after receiving investors' rejection. To protect themselves from the pain of rejection, entrepreneurs may completely terminate their connection with the investor. Rejection may also increase an entrepreneur's intention to quit the business so that they can completely move on from the painful experience.

The Possibility of Alternatives and Avoidant Response: Withdrawal and Exit Intention

The possibility of alternatives is positively associated with one's avoidant responses (Richman and Leary, 2009). The source that offers belonging is replaceable (Baumeister and Leary, 1995). When the alternative source presents, rejectees are more likely to seek acceptance from the alternatives and withdraw from the current relationship. The new relationship makes the previous relationship less important and less salient. Rusbult (1980)'s investment model also proposes that alternatives influence one's commitment and satisfaction with the current romantic relationships. An individual's commitment and satisfaction with the current relationship decrease when the alternatives are more rewarding. When the possibility of an alternative relationship is high, it is easier for a rejectee to restore the sense of belonging through establishing a relationship with an alternative source than repairing the current relationship. In this case, an individual is less motivated to fix the current relationship, meanwhile he/she is more motivated to withdraw from it and pursue the alternatives.

In the fund-seeking process, entrepreneurs may get some vague answers from the investors. The reasons for an investor's rejection can be various. An investor may turn down a fund requirement because he/she is confident that the investment will not generate a sufficient return. Alternatively, an investor may reject an investment request because he/she is uncertain about the outcome of the investment. An investor may reply a funding application ambiguously, such as "this is not the right time" or "I do not have enough information to make a decision yet." In this case, some entrepreneurs may continue the interaction with the investor, offer more information, or update the venture progress even after receiving the rejection. This tendency decreases when the alternative funding source

presents. When the possibility of getting fund from other source is high, the entrepreneurs are more likely to prepare a new application toward the alternative funding source. Since time and energy is limited for every entrepreneur, the pursuit of new investor increases the possibility of withdrawal from the previous investor. Following this logic, I predict that the possibility of the alternatives is positively associated with withdrawal from the previous relationship.

H8: Entrepreneurs with high possibility of alternative funding source is more likely to withdrawal from the previous investor than entrepreneurs with low possibility of alternative funding source.

Quitting the business is another type of avoidant response. The current study also investigates how the possibility of alternatives impacts entrepreneurs' exit intention, which defines as entrepreneurs' intention to leave the firms they create (e.g., DeTienne, 2010; Hsu et al., 2016). The possibility of alternatives motivates the rejectee to seek acceptance from alternative source instead of tangling the previous relationship. However, in the fund-seeking process, this effect can be negative. Capital is crucial for the survival and development of a venture. The alternative fund source can work as a backup plan for the entrepreneurs when they experienced rejection. In this case, I predict that the possibility of alternatives decreases ones' intention to quit the business.

H9: Entrepreneurs with high possibility of alternative funding source have less exit intention than entrepreneurs with low possibility of alternative funding source.

Perceived Fairness and Avoidant Responses: Withdrawal and Exit Intention

Rejection can cause social pain (Eisenberger et al., 2003). Sometimes rejectees avoid the rejectors to self-protect from the distress (Ayduk et al., 2003; Richman and Leary, 2009; Sommer and Bernieri, 2015). Rejectees' avoidant response can be influenced by their perceived fairness of the rejection. The negative emotion triggered by the unfair event is more intense and lasts longer than the emotion elicited by the negative but fair event (Mikula et al., 1998). Continuing the interaction with the rejector can remind the rejectee about the painful experience. A rejectee who receives an unfair rejection is more likely to avoid the rejector so that he/she will not get hurt again.

Due to the information asymmetry and unstandardized venture evaluation process, sometimes entrepreneurs perceive the rejection as unfair. The perceived fairness influences entrepreneurs' avoidant response. Compared to a fair rejection, the unfair rejection is more unbearable. Thus, to self-protect from the social pain, entrepreneurs are more likely to respond the unfair rejection avoidantly. However, unlike the interpersonal rejection which mainly triggers an emotional reaction, a rejection from investor also influences entrepreneurs' strategic decision. The unsuccessful attempt for funding also signals the flaw of the venture. An unfair rejection may cause by a biased or subjective evaluation, while a fair rejection is more likely due to the fatal defect of the venture. Entrepreneurs may withdraw or terminate the venture when they realize their company will eventually fail. Thus, the fairness has two opposite effects on entrepreneurs' avoidant response. The fairness of the rejection is negatively associated with the painful emotional experience after the rejection. The less pain a rejectee experiences, the less likely he/she avoids the rejector. Thus, the fairness has a negative effect on avoidant response. On the contrary, the venture may have less potential if the rejection is based on an objective and thorough evaluation.

In this case, fairness increases entrepreneurs' tendency to terminate the venture. To evaluate the impact of fairness on entrepreneurs' avoidant responses, researchers should put their emotional adjustability into consideration. Therefore, I do not predict a direct relationship between perceived fairness and avoidant response here, instead, I explain how resilience adjusts the impact of fairness on entrepreneurs' avoidant response in the following section.

The Moderation Effect of Resilience

Resilience refers to the individual's or organization's capacity of maintain normal psychological function in challenging or threatening circumstances (Bonanno, 2005, 2004; Corner et al., 2017; Williams et al., 2017). As an important trait, it has drawn much attention from entrepreneurship field. Previous studies have investigated the influence of resilience on entrepreneurs' physical and psychological well-being (Bullough et al., 2014; Manzano-García and Ayala Calvo, 2013), entrepreneurial intention (Bullough et al., 2014; Renko et al., 2016), serial entrepreneurship (Hayward et al., 2010), crisis management (Williams et al., 2017), coping nature disaster (Williams and Shepherd, 2016) and venture failure (Corner et al., 2017).

Previous studies have found that high resilient individuals has high positive emotionality, optimistic, curiosity, and openness (Block and Kremen, 1996; Klohnen, 1996). The high resilient individuals have been found strategically use humor, relaxation techniques, and optimistic thinking to evoke their positive emotions (Demos, 1989; Kumpfer, 1999; Werner E. and Smith S., 1992; Wolin and Wolin, 1993). Through a multimethod approach, Tugade and Fredrickson (2004) find that "resilient people use

positive emotions to rebound from, and find positive meaning in, stressful encounters." Their ability to proactively cultivate and utilize positive emotions enables the high resilience individuals to keep a normal emotional status even under challenging environment. Ong et al., (2006) find that high resilient participants show less emotional change than low resilient individuals in the days with heightened stress. Bullough et al., (2014) also find that the negative relationship between danger in the war zone and entrepreneurial intention is attenuated by high levels of resilience.

High resilient entrepreneurs can rebind from the unfair rejection easier than low resilient entrepreneurs. They can use positive emotion to offset the impact of negative emotion. High resilient entrepreneurs experience less pain when they receive an unfair rejection than low resilient entrepreneurs. Thus, their avoidant responses rely less on the emotional response to injustice. Moreover, a stable psychological status enables them to analyze the feedback from the investor objectively. In this case, high resilient entrepreneurs are more likely to withdraw or quit the venture when they receive a fair rejection. Low resilient entrepreneurs have an opposite reaction to the fairness of rejection. Lacking the emotional adjustability, they may experience more intense and unbearable social pain after receiving an unfair rejection. Low resilient entrepreneurs are more likely to self-protect from the distress by withdrawing from the investor or terminate the venture when they encounter injustice. Following this logic, I predict that the negative relation between the fairness of the rejection and entrepreneurs' avoidant responses is weakened by entrepreneurs' resilience.

H10: As the perceived fairness increases, low resilient entrepreneurs' chance of withdrawal declines more than high resilient entrepreneurs' chance of withdrawal.

H11: As the perceived fairness increase, low resilient entrepreneurs' exit intention declines more than high resilient entreprenurs' exit intention.

Avoidant Response: Derogating

Being rejected by someone indicates the rejectee's relational worth is devaluated by the rejector (Richman and Leary, 2009). Thus, rejection is not only painful but also threating (Ford and Collins, 2010). To self-protect from the ego-threatening, sometimes rejectees deny certain people as the source of acceptance. When the rejectees perceive the rejector as a less worthy and attractive partner, they can distance themselves from the threat of social evaluation (Ford and Collins, 2010). The victims of rejection sometimes adapt a different value system or deny the qualification of the rejecters to invalidate the rejection. By doing so, rejectees can avoid attributing the rejection to their low relational value. Instead, they can explain the rejection as "we are different" or "they are not good enough to judge me." "Derogating those who reject us may lower the importance of acceptance in much the same way that people who fail on a test devalue the importance of doing well" (Bourgeois and Leary, 2001, p. 103). Bourgeois and Leary (2001) find participants who are chosen last for a team not only derogate their confederates but also rate the captains less pleasant and likable. Sometimes the self-protection system can be preventive. Sommer and Bernieri (2015) find that people who just experienced rejection tend to rate their new partners as less kind and report less rapport/liking of the new partners, even though their new partners do not reject them.

Investors reject entrepreneurs' funding application when they believe the venture does not worth as much as entrepreneurs required. For entrepreneurs the rejection is a

devaluation of the ventures' worthiness. Since an individual's work performance often influences one' view of self-worth (Kreiner and Ashforth, 2004; Pierce et al., 1989), this devaluation can cause a threat to entrepreneurs' self-worth. When their ego is threatened, entrepreneurs may psychologically distance from the investor's rejection by doubting the credibility of the investor. When entrepreneurs deny the investors' competency of assessing their venture, they invalidate the investors' rejection. The rejection becomes less important so that they can fix their damaged ego.

The Possibility of Alternatives and Avoidant Response: Derogating

Entrepreneurs can invalidate the rejection by denying the qualification of the investor. By doing so, entrepreneurs can attribute the failure to the incompetence of investors, instead of admitting their own failure. Entrepreneurs can maintain a positive self-view when they believe the investor is not qualified. The rejection can be seen as an imprecise evaluation of their venture, other than the devaluation of their self-worth. Entrepreneurs can avoid the ego threat by derogating investors' competency. The alternative funding source can increase entrepreneurs' denying tendency. The other investors' investment interest proves the worthiness of the venture. Thus, the high possibility of alternatives investment opportunities supports the inference that the rejection is due to an imprecise evaluation rather than the worthlessness of the venture. In this case, the possibility of alternatives increases entrepreneurs' derogation of the investors' competency.

H12: Entrepreneurs with high possibility of alternative funding source is more likely to derogate investors' competency than entrepreneurs with low possibility of alternative funding source.

Perceived Fairness and Avoidant Response: Derogating

The entrepreneurs' derogating response is also influenced by the fairness of the rejection. The procedural justice literature has shown that one party's perceived procedural justices is positively associated with the trust in the other party's decision making. This positive relation has also been found between investor and entrepreneurs (Sapienza and Korsgaard, 1996; Shepherd and Zacharakis, 2001); team member and team leaders (Korsgaard et al., 1995a). When an entrepreneur perceives a rejection is based on a fair evaluation, he/she is more likely to trust the assessment. A fair evaluation usually includes sufficient and timely feedback (Korsgaard et al., 1995; Shepherd and Zacharakis, 2001). The information and feedback from the investor make it easier for entrepreneurs to accept and reshape their beliefs about the value of their venture. Derogating is a self-defense response to ego threat. It happens when an entrepreneur feels he/she is devaluated by the investor. A fair evaluation can offer enough information to shorten the disparity between the entrepreneur and investors' assessment of the venture's worth. Entrepreneurs who receive a fair rejection are less likely to feel devaluated, which means they are less likely to feel the ego threat. Therefore, they are less likely to derogate the investor. Therefore, we predict that the fairness of the rejection can decrease the derogating response.

H13: Entrepreneurs who perceived the rejection is fair is less likely to derogate investor's competency than entrepreneurs who perceived the rejection is unfair.

The Moderation Effect of Self-esteem

Derogation is rejectees' coping strategy for ego threat. A fair rejection usually includes more information and feedback from the investor than an unfair rejection. With enough justification, entrepreneurs are able to accept the rejection is due to the weakness of the venture or the mismatch with investors' portfolio. On the contrary, entrepreneurs received an unfair rejection may feel being judged prejudicially. Entrepreneurs may take the rejection personally when the investors jump to the conclusion without giving a thorough review of their application. The devaluation of personal worth threatens entrepreneurs' ego; thus, they are more likely to derogate the investor when they receive an unfair rejection. The assumption of this ego-protection mechanism is that individuals have the need to maintain a positive view of themselves (Brown, 1997). However, this assumption may not hold for the individuals who keep a negative self-view.

The self-verification theory argues that individuals want to be known and understand by others according to their firmly held beliefs and feelings about themselves (Swann, 1983). The individuals who view themselves negatively have the need to confirm their negative self-view. For instance, people with negative self-views prefer interaction with friends, dating partners, or roommates who evaluate them unfavorably (Swann et al., 1992); people with negative self-views also feel more intimacy with spouses who evaluate them more negatively (Swann et al., 1994). Shepherd and Haynie (2011) propose that after business failure, entrepreneurs who hold a negative self-view will enhance the psychological well-being when they avoid interactions with stakeholders who view them positively and/or seeking interactions with stakeholders who attribute failure to them.

Based on the self-verification theory, entrepreneurs who have a negative self-view may react to an unfair rejection differently with the ones who have a positive self-view. In this study, self-esteem is used to measure one's belief about self-worth when they seek acceptance. An individual's self-esteem heavily relies on his/her belief of others' willingness to accept him/her (Leary and MacDonald, 2003). In other words, self-esteem reflects an individual's self-evaluation of how popular he/she is. High self-esteem individuals usually have a strong belief that they are favorable in others' eyes (Campbell and Lavallee, 1993; Campbell, 1990). To verify one's low self-worth belief, low self-esteem entrepreneurs are more willing to believe the rejection is due to the personal reason other than the venture flaw. They are less likely to feel devaluation when received an unfair rejection compared to the entrepreneurs who have high self-esteem. They might doubt investor's competency when the investor contributes the rejection to the mismatch or other objective reasons, because it disconfirms their negative self-view. In this case, the unfairness has a smaller chance to trigger their ego defense actions, such as derogation. For the high self-esteem entrepreneurs, unfairness may indicate the investor attribute the failure to the entrepreneur, which can cause big ego-threat for them. High self-esteem entrepreneurs are more likely to defend their ego by denigrating the investor who rejected them unfairly. Following this logic, I predict that the negative relation between fairness of the rejection and derogating response is enhanced by self-esteem.

H14: As the perceived fairness increases, high self-esteem entrepreneurs' chance of derogating the investor declines more than low resilient entrepreneurs' chance of derogating the investor.

CHAPTER III

METHODS

This chapter includes a description of sampling, measurement, and analytical methods employed to test the hypotheses.

Data Collection

To investigate the entrepreneurs' rejection responses, this study drew the sample from entrepreneurs who experienced rejection from investors in the previous 12 months before participated in the survey. The survey is designed on the Qualtrics survey platform and distributed by Qualtrics using their entrepreneurial panelist. 246 participants opened the survey. 233 participants indicated they would offer their best answer for the survey. Using the screen questions from PSED: "Are you, alone or with others, currently trying to start a new business, including any self-employment or selling any goods or services to others" and "Are you, alone or with others, currently the owner of a business you help manage, including self-employment or selling any goods or services to others" we were able to identify 225 entrepreneurs. 219 of those entrepreneurs have experienced funding rejections. The source of rejection includes private investor/lender (46.1%), venture capitalist (6.4%), bank or credit unions (37%), family or friends (5.9%), government program (2.7%), and other funding sources (1.8%). 204 of those entrepreneurs finished the whole survey. Most of them (92.2%) are 18-44 years old. 115 (56.4%) are male and 89 (43.6%) are female. 68.6% of the participants are white. 63.2% of them have college or

above degrees. The average age of their venture is 12.29 years, and average working experience of those entrepreneurs is 15 years.

Measures

This study applies psychological theories in the entrepreneurship context, most of the measures are adopted from previous studies in the psychology and entrepreneurship field, such as entrepreneurial self-efficacy and self-esteem. We developed two constructs for this study: 1) the possibility of the alternative funding source and 2) withdraw from the investor. The development of those two constructs follows the suggestions of Spector (1992). As suggested in Spector's book, the five steps used to develop a construct are 1) define the construct, 2) design the scale, 3) pilot the test, 4) analyze the administration and items, and 5) validate the construct. The definition of each construct is based on existing literature. The items are generated through a deductive approach. As suggested by Hinkin (1995), the items are developed through comprehensive literature review and consultation with experts. After generating items from the literature review, three professors in the dissertation committee and three entrepreneurship major doctoral students checked both the construct and the face validity. Participants in the panel test are guided to select the items that accurately measure the latent construct. Only items endorsed by more than four members of the panel are kept in the construct. The results of the reliability test and the confirmatory factor analysis (CFA) indicate the validation of the two constructs.

Independent Variables

The possibility of alternatives is a measure developed by the authors. The measure includes five items. The participants were asked to consider their most recent unsuccessful

attempt to get funds from an investor or lender and indicate their level of agreement with each of the following statement on a 5-point scale ranging from "strongly disagree" (=1) to "strongly agree" (=5).

When you prepared this funding application…

1) There are many other funding sources as an adequate replacement for this investor or lender.
2) There are many other investors or lenders in my geographic area.
3) There are many other investors or lenders I can approach.
4) There are many other funding sources I can access.
5) Many other funding sources might be interested in my venture.

Perceived fairness is adopted from Dulebohn and Ferris (1999). The measure includes six items. The participants were asked to consider their most recent unsuccessful attempt to get funds from an investor or lender and indicate their level of agreement with each of the following statement on a 5-point scale ranging from "strongly disagree" (=1) to "strongly agree" (=5).

Based on your interaction with the investor or lender…

1) This investor or lender considered the important aspects of my venture when evaluating my investment application.
2) This investor or lender evaluated my investment application on how well my venture could perform, not on his/her personal opinion of me.
3) This investor or lender treated me with consideration when giving me the reply of my investment application.

4) This investor or lender has shown concern for my rights as an applicant.
5) Overall, this investor or lender tried very hard to be fair to me.
6) Overall, I was treated fairly by this investor or lender.

Moderators

Entrepreneur self-efficacy is measured by the scale developed by Zhao et al., (2005). The measure includes five items. Participants were asked to indicate their confidence level of successfully executing the following tasks on a 5-point scale ranging from "no confidence" (=1) to "complete confidence" (=5).

1) Identifying new business opportunities.
2) Creating new products.
3) Thinking creatively.
4) Commercializing an idea.
5) Commercializing a new development.

Resilience is measured by the four-item Brief Resilient Coping Scale (BRCS) developed by Sinclair and Wallston (2004). Participants were asked to indicate how well each statement describes them on a 5-point scale ranging from "does not describe me" (=1) to "describes me extremely well" (=5).

1) I look for creative ways to alter difficult situations.
2) Regardless of what happens to me, I believe I can control my reaction to it.
3) I believe I can grow in positive ways by dealing with difficult situations
4) I actively look for ways to replace the losses I encounter in life.

Self-esteem is measured by the ten-item scale developed by Rosenberg (1965). Participants were asked to indicate their level of agreement with each of the following statement on a 5-point scale ranging from "strongly disagree" (=1) to "strongly agree" (=5). Item 2), 5), 6), 8), and 9) are reverse coded.

On the whole, I am satisfied with myself.

1) At times I think I am no good at all.
2) I feel that I have a number of good qualities.
3) I am able to do things as well as most other people.
4) I feel I do not have much to be proud of.
5) I certainly feel useless at times.
6) I feel that I'm a person of worth, at least on an equal plane with others.
7) I wish I could have more respect for myself.
8) All in all, I am inclined to feel that I am a failure.
9) I take a positive attitude toward myself.

Dependent Variables

Learning from rejection is adapted from the eight-item learning from project failure scales developed by Shepherd et al., (2011). The participants were asked to consider their most recent unsuccessful attempt to get funds from an investor or lender and indicate their level of agreement with each of the following statement on a 7-point scale ranging from "strongly disagree" (=1) to "strongly agree" (=7).

After this unsuccessful attempt…

1) I was more willing to help others deal with their rejections.

2) I was more tolerant of others' shortcomings when it comes to funding applications.
3) I was a more forgiving person at work.
4) I became better at executing a funding strategy.
5) I could more effectively process a funding application.
6) I had improved my ability to make important contributions to a funding application.
7) I could "see" the signs that an investor or lender is not interested in my venture earlier.
8) I realized the mistakes that we made that led to the failure of the funding application.

Impression management is adopted from the scale developed by Bolino and Turnley (1999). This scale measures the strategies individuals use to influence the image others have of them. The original scale includes five sub-constructs: self-promotion (point out accomplishment to been seen as competent), ingratiation (use flattery to gain likability), exemplification (go beyond the call of duty to obtain the attribution of dedication), intimidation (signal power to be seen as dangerous), and supplication (show weaknesses to gain attribution of needy). In the current study, the impression management measures the strategies entrepreneurs use to influence the image others have of their venture. Thus, I only used the most relevant scales: self-promotion and exemplification. The other three subconstructs (e.g., ingratiation: take an interest in a coworker's or supervisor's personal life; intimidation: yell at people; supplication: play "dumb") are less relevant for the context.

Impression management – self-promotion is measured by the four-item scale listed below. The participants were asked to consider their most recent unsuccessful attempt to get funds from an investor or lender and indicate their level of agreement with each of the following statement on a 7-point scale ranging from "strongly disagree" (=1) to "strongly agree" (=7).

After this unsuccessful attempt, when you interacted with potential investors or lenders…

1) I spoke even more proudly about my venture.
2) I put more effort into letting them know about the assets and capabilities of my venture.
3) I spoke more about how valuable my venture is.
4) I worked even harder to make sure people were aware of my venture's accomplishments.

Impression management – exemplification is measured by the four-item scale listed below. The participants were asked to consider their most recent unsuccessful attempt to get funds from an investor or lender and indicate their level of agreement with each of the following statement on a 7-point scale ranging from "strongly disagree" (=1) to "strongly agree" (=7).

After this unsuccessful attempt, when you interacted with potential investors or lenders…

1) I signaled considerations beyond financial gain related to my venture, such as its social responsibility, integrity, or moral worthiness more frequently.

2) I referred to my venture's charitable donations more frequently.
3) I referred to my venture's support to human rights more frequently.
4) I referred to my venture's participations in community development more frequently.

Withdrawal from the investor is measured by five items. The first three items are adopted from the avoidant response after project failure developed by Shepherd et al., (2011). The rest two items are developed by the authors. The participants were asked to consider their most recent unsuccessful attempt to get funds from an investor or lender and indicate their level of agreement with each of the following statement on a 7-point scale ranging from "strongly disagree" (=1) to "strongly agree" (=7).

After this unsuccessful attempt...

1) I deliberately distracted myself from thinking about this unsuccessful attempt.
2) I sought people who talk about topics unrelated to this unsuccessful attempt.
3) I kept my mind active so it does not focus on this unsuccessful attempt.
4) I avoided this investor or lender.
5) I withdrew from interacting with this investor or lender.

Exit intention is measured by a single item used in Hsu et al., (2016). The participants are asked to consider their most recent unsuccessful attempt to get funds from an investor or lender and indicate their level of agreement with each of the following statement on a 7-point scale ranging from "strongly disagree" (=1) to "strongly agree" (=7).

1) After this unsuccessful attempt, taking everything into consideration, I intended to make a genuine effort to find a new job within the next year and stop operating my business.

Derogation measures rejectees' negative evaluation of the rejector. This measure varies based on the context. Bourgeois and Leary (2001) ask the participants to rate the "likable" and "pleasant" of their partner as the measure of derogation. Ford and Collins (2010) use participants' evaluation of their partners' interpersonal traits such as critical and judgmental, rude, thoughtless as the measure of derogation. In this study, I measured the derogation through entrepreneurs' evaluation of investors' competency. The scale is adopted from the inventory developed by Mayer and Davis (1999) which measures employees' trust of top management's ability. The participants were asked to consider their most recent unsuccessful attempt to get funds from an investor or lender and indicate their level of agreement with each of the following statement on a 7-point scale ranging from "strongly disagree" (=1) to "strongly agree" (=7).

After this unsuccessful attempt...

1) I felt this investor or lender was not very good at his/her job.
2) I felt this investor or lender could not be successful at the things he/she tries to do.
3) I felt this investor or lender did not have much knowledge about the business opportunity.
4) I did not feel very confident about this investor or lender's skills.
5) I doubted this investor or lender's qualifications.

6) I felt that this investor or lender' specialized capabilities would not have increased my venture's performance anyway.

Control Variables

Based on the previous literature, I also included several control variables, such as the expectations of relational repair, the value of the relationship, and the social support. The expectations of relational repair and value of the relationship are measured by signal item developed by the authors. The social support is measured by Berlin Social Support Scales developed by Schulz and Schwarzer (2003). In order to control common method bias, we also measured social desirability using the five items scale developed by Hays et al., (1989). Participants were asked to indicate their level of agreement with each of the following statement on a 5-point scale ranging from "strongly disagree" (=1) to "strongly agree" (=5).

Expectations of relational repair

1) It is possible that this investor or lender may decide to make an investment in my venture in the future.

Value of the relationship

1) Compared with the other funding source, the relationship with this investor or lender is more valuable.

Social support

1) There are some people who truly like me.
2) Whenever I am not feeling well, other people show me that they are fond of me.

3) Whenever I am sad, there are people who cheer me up.
4) There is always someone there for me when I need comforting.
5) I know some people upon whom I can always rely.
6) When I am worried, there is someone who helps me.
7) There are people who offer me help when I need it.
8) When everything becomes too much for me to handle, others are there to help me.

Social desirability

1) There have been occasions when I took advantage of someone. (Reverse Coding)
2) I sometimes feel resentful when I don't get my own way. (Reverse Coding)
3) No matter who I'm talking to, I'm always a good listener.
4) I sometimes try to get even, rather than forgive and forget. (Reverse Coding)
5) I am always courteous, even to people who are disagreeable.

Outliers and Normality

I removed multivariate outliers through checking the Mahalanobis Distance using SPSS (version 25.0) and got a final sample size 196[1]. In each model, I used two independent variables, one moderators, and seven control variables. 196 responses satisfy a 19.6 to 1 ratio of observations and variables. This ratio is higher than the suggested 4-10 observations per variable (Hair et al., 2006; Neter et al., 1996; Rummel, 1988). I also

[1] When using full sample without removing the outliers, most of the regression results remain unchanged, except the H10 is no longer supported.

checked the normality of the factor scores of each variable. The significant Shapiro-Wilk test results indicate most of the variables are not normally distributed. After checking the histogram, I found the violation of normality assumption was due to the skewness of the data rather than outliers. Entrepreneurs are labeled as overconfident or overoptimistic (Forbes, 2005; Lowe and Ziedonis, 2006), which means the samples are highly self-selected. The survey measures many personality traits of entrepreneurs, the unique characteristics of the samples may cause the abnormal distribution of the data. In general, the F-test is robust to deviations from normality when non-normality is caused by skewness rather than outliers (French et al., 2008). Thus, this violation of the normality assumption does not influence the robustness of the following regression analysis.

Common Method Variance

I used three techniques to control common method variance (CMV). First, in the survey, all the questions about personality traits were asked before the questions related to rejection. Second, the order of variables and items are randomized in the survey. Third, we included the social desirability in the model to control its influence.

I also ran a CFA on a single factor model. It was a first-order confirmatory model included all the items for latent constructs. The model showed poor model fit (CMIN/df = 5.915; GFI = .471; CFI = .356; RMSEA = .159) which indicated CMV is not a significant threat to the validity of the result.

Confirmatory Factor Analysis

To assess the model fit and the reliability of the constructs, I conducted CFA and reliability test. The results are in the Table 1. All the constructs have a Cronbach's Alpha

higher than 0.7, indicates acceptable reliability (Loewenthal, 2001). For the CFA results, most of the constructs satisfy the good model fit standard recommended in the previous literature, CMIN/*df* value between 1.0 and 5.0 and GFI, CFI, NFI, TLI value above .90 (Hoe, 2008; Inman et al., 2009). Based on the item loading from CFA, I also calculated the average variance extracted (AVE) and composited reliability (CR). All the variables show an AVE higher than 0.4 and CR higher than 0.6 which satisfied the convergent validity standard suggested by Fornell and Larcker (1981). The only exception is the Rosenberg Self-esteem Scale, which showed poor model fit for a one-factor model. Five items in the Rosenberg Self-esteem scale measure positive self-esteem (e.g., on the whole, I am satisfied with myself.) and another five items measures negative self-esteem (e.g., All in all, I am inclined to feel that I am a failure.). Previous studies have found this scale measured two factors instead of one factor (e.g., McKay et al., 2014; Tomas and Oliver, 1999). I tested a bifactor model suggested by McKay et al., (2014) and found good model fit. Since the following analysis is a regression, thus, we only used the five items that measures negative self-esteem to compute the factor score for self-esteem.

OLS Model Results

Table 2 presents the means, standard deviations, and bivariate correlations among all variables.

I computed factor scores for all the latent constructs, standardized the moderators, and ran the OLS model. I ran stepwise modeling for all the dependent variables. The Model 1 only included the control variables. Then I added independent variables in the Model 2 and 3. The Model 4 included moderator and controls. I included both independent variables

and moderators in Model 5. I added independent variables, moderators, and interaction effects in Model 6,7, and 8 for prosocial responses and in Model 6 for avoidant responses.

Prosocial Response: Learning from the Rejection & Impression Management

Table 3a, 3b, and 3c presents the results of the OLS model when using the two prosocial responses as dependent variables. The base model which only includes the control variables explains a significant amount of the variance in the learning from rejection (R^2 = 0.44, p < 0.01); impression management: self-promotion (R^2 = 0.45, p < 0.01); and exemplification (R^2 = 0.44, p < 0.01). After adding the focal variables, the full model explains more variance in the prosocial response: learning from rejection (R^2 = 0.53, p < 0.01); impression management: self-promotion (R^2 = 0.52, p < 0.01); and exemplification (R^2 = 0.51, p < 0.01). The addition of those variables explains seven to nine percent of the variance in the prosocial responses.

Resilience and self-esteem are two personality control variables. The results indicate that resilience has a positive effect on learning from the rejection (Table 3a, Model 1, β = 0.19, p < 0.01) and two impression management measures: self-promotion (Table 3b, Model 1, β = 0.35, p < 0.001) and exemplification (Table 3c, Model 1, β = 0.12, p < 0.10). On the contrary, self-esteem shows a negative effect on learning from the rejection (Table 3a, Model 1, β = -0.27, p < 0.001) and two impression management measures: self-promotion (Table 3b, Model 4, β = -0.12, p < 0.10) and exemplification (Table 3c, Model 1, β = -0.28, p < 0.001). In addition to individual traits, I also included three rejection related control variables: expectations of relational repair, value of the relationship and social support. The expectation of relational repair has a positive effect on learning from

the rejection (Table 3a, Model 1, $\beta = 0.23$, $p < 0.01$) and exemplification (Table 3c, Model 1, $\beta = 0.20$, $p < 0.01$). The value of the relationship has a positive effect on learning from the rejection (Table 3a, Model 1, $\beta = 0.20$, $p < 0.01$) and two impression management measures: self-promotion (Table 3b, Model 1, $\beta = 0.16$, $p < 0.05$) and exemplification (Table 3c, Model 1, $\beta = 0.36$, $p < 0.01$). Social support has a positive effect on learning from the rejection (Table 3a, Model 1, $\beta = 0.36$, $p < 0.001$) and two impression management measures: self-promotion (Table 3b, Model 1, $\beta = 0.42$, $p < 0.001$) and exemplification (Table 3c, Model 1, $\beta = 0.28$, $p < 0.001$). I also controlled social desirability, it does not show a significant impact on participants' answer for prosocial responses.

Hypothesis 1 proposes that the entrepreneurs who have more alternative funding sources are more likely to learn from the previous rejection. The results indicate a significant positive relationship between the alternatives and learning from the rejection (Table 3a, Model 2, $\beta = 0.25$, $p < 0.001$), which means Hypothesis 1 is supported. Hypothesis 2 proposed that the entrepreneurs who have higher possibility of alternative funding source are more likely to engaging in impression management activities. The results indicate a significant positive relationship between the alternatives and impression management: self-promotion (Table 3b, Model 2, $\beta = 0.19$, $p < 0.01$) and impression management: exemplification (Table 3c, Model 2, $\beta = 0.25$, $p < 0.001$). Thus, Hypothesis 2 is also supported. Hypothesis 3 proposes that the entrepreneurs who perceived the rejection is fair are more likely to learn from the previous rejection. The results indicate a significant positive relationship between the alternatives and learning from the rejection (Table 3a, Model 3, $\beta = 0.27$, $p < 0.001$), which means Hypothesis 3 is supported. Hypothesis 4 proposes that entrepreneurs with high entrepreneurial self-efficacy are more

likely to learn from rejection than the ones with low entrepreneurial self-efficacy given the same alternative funding sources. The results indicate a significant positive moderation effect of entrepreneurial self-efficacy on the relationship between alternatives and learning from the rejection (Table 3a, Model 8, β = 0.18, p < 0.05), therefor Hypothesis 4 is supported. Hypothesis 5 proposes that entrepreneurs with high entrepreneurial self-efficacy are more likely to engage in impression management activities than the ones with low entrepreneurial self-efficacy given the same alternative funding sources. The results indicate a significant positive moderation effect of entrepreneurial self-efficacy on the relationship between alternatives and one of the impression management strategies: exemplification (Table 3c, Model 8, β = 0.23, p < 0.01), but not for the self-promotion, therefor Hypothesis 5 is partially supported. Hypothesis 6 proposes that the low self-efficacy entrepreneurs' learning rely more on their perceived fairness of the rejection than high self-efficacy entrepreneur's learning. The results indicate a significant negative moderation effect of entrepreneurial self-efficacy on the relationship between fairness and learning from the rejection (Table 3a, Model 8, β = -0.20, p < 0.01), therefor Hypothesis 6 is supported. Hypothesis 7 proposes that low self-efficacy entrepreneurs' chance of engaging in impression management activities rely more heavily on their perceived fairness of the rejection than high self-efficacy entrepreneur's learning. The results indicate a significant negative moderation effect of entrepreneurial self-efficacy on the relationship between fairness and impression management: self-promotion (Table 3b, Model 8, β = -0.19, p < 0.01) and exemplification (Table 3c, Model 8, β = -0.14, p < 0.10). Thus, the hypothesis 7 is also supported.

Avoidant Responses: Withdrawal from the Investor & Exit Intention

Table 3d and 3e present the results of the OLS model when using the avoidant responses: withdrawal from the investor and exit intention as dependent variables. The base model which only includes the control variables explains a significant amount of the variance in withdrawal from the investor ($R^2 = 0.36$, $p < 0.01$) and exit intention ($R^2 = 0.33$, $p < 0.01$). After adding the focal variables, the full model explains more variance in the avoidant response: withdrawal from the investor ($R^2 = 0.42$, $p < 0.01$) and exit intention ($R^2 = 0.38$, $p < 0.01$). The addition of those variables explains five to six percent of the variance in the avoidant responses.

Entrepreneurial self-efficacy and self-esteem are two personality control variables. The results indicate that entrepreneurial self-efficacy does not have a significant effect on entrepreneurs' avoidant responses. Self-esteem shows a negative effect on the withdrawal from the investor (Table 3d, Model 1, $\beta = -0.36$, $p < 0.001$) and the exit intention (Table 3e, Model 1, $\beta = -0.56$, $p < 0.001$). In addition to individual traits, I also included three rejection related control variables: expectations of relational repair, the value of the relationship and social support. The expectation of relational repair does not have a significant effect on the withdrawal from the investor but have a positive effect on the exit intention (Table 3e, Model 1, $\beta = 0.31$, $p < 0.10$). The value of the relationship has a significant positive effect on both of the avoidant responses: withdrawal from the investor (Table 3d, Model 1, $\beta = 0.25$, $p < 0.01$) and exit intention (Table 3d, Model 1, $\beta = 0.54$, $p < 0.01$). Social support has a significant negative effect on entrepreneurs' exit intention (Table 3e, Model 1, $\beta = -0.26$, $p < 0.10$) but does not have a significant effect on withdrawal from the investor. I also controlled social desirability; it does not show a significant impact on participants' answer for those two avoidant responses.

Hypothesis 8 proposes that the entrepreneurs who have more alternative funding sources are more likely to withdrawal from the investor previously rejected them. The results indicate a significant positive relationship between the alternatives and withdrawal from the investor (Table 3d, Model 2, $\beta = 0.25$, $p < 0.01$), which means Hypothesis 8 is supported. Hypothesis 9 proposes that the entrepreneurs who have a higher possibility of alternative funding source also have a lower level of exit intention. However, the results do not indicate a significant relationship between the alternatives and exit intention. Thus, Hypothesis 9 is not supported. Hypothesis 10 and 11 propose that high resilient entrepreneurs are more likely to move on when receiving a fair rejection than low resilient entrepreneurs. The results indicate a significant positive moderation effect of resilience on the relationship between avoidant responses: withdrawal from the investor (Table 3d, Model 6, $\beta = 0.11$, $p < 0.10$) and exit intention (Table 3e, Model 8, $\beta = 0.42$, $p < 0.01$), therefore, both Hypothesis 10 and 11 are supported.

Avoidant Response: Derogation

Table 3f presents the results of the OLS model when using the avoidant responses: derogation as dependent variables. The base model which only includes the control variables explains a significant amount of the variance in derogation ($R^2 = 0.28$, $p < 0.01$). After adding the focal variables, the full model explains more variance in the derogation ($R^2 = 0.48$, $p < 0.01$). The addition of those variables explains 20 percent of the variance in the derogation.

Entrepreneurial self-efficacy and resilience are two the personality control variables. The results indicate that entrepreneurial self-efficacy does not have a significant

effect on entrepreneurs' avoidant response. Resilience shows a significant positive effect on derogation (Table 3f, Model 1, $\beta = 0.18$, $p < 0.05$). In addition to individual traits, we also included three rejection related control variables: expectations of relational repair, the value of the relationship and social support. Neither of the expectation of relational repair nor the value of the relationship has a significant effect on the derogation. Social support does show a significant negative effect on derogation in some model. I also controlled social desirability; it shows a significant impact on participants' answer for the derogation (Table 3f, Model 1, $\beta = -0.46$, $p < 0.001$).

Hypothesis 12 proposes that the entrepreneurs who have more alternative funding sources are more likely to derogate the investor previously rejected them. The results indicate a significant positive relationship between the alternatives and derogation (Table 3f, Model 1, $\beta = 0.17$, $p < 0.05$), which means Hypothesis 12 is supported. Hypothesis 13 proposes that the entrepreneurs who received a fair rejection are less likely to derogate the investor. The results indicate a significant positive relationship between the alternatives and derogation (Table 3f, Model 5, $\beta = -0.19$, $p < 0.01$), which means Hypothesis 13 is supported. Hypothesis 14 proposes that high self-esteem entrepreneurs are more likely to defend themselves by derogating the investor's competency when they receive an unfair rejection than low self-esteem entrepreneurs. The results indicate a significant negative moderation effect of self-esteem on the relationship between fairness and derogation (Table 3d, Model 6, $\beta = -0.31$, $p < 0.001$). The results indicate Hypothesis 14 is also supported. The summary of the hypotheses testing results are presented in Table 4.

I also plotted the graph for the moderation hypotheses to demonstrate the significant interactive effects. Hypotheses 4 and hypotheses 5 propose that the positive relationship

between the possibility of alternatives and prosocial responses, which includes learning from rejection and impression management, is enhanced by entrepreneurial self-efficacy. Figure 2 and 3 illustrate the interaction effect between the alternative funding source and entrepreneurial self-efficacy. The values of the low and high entrepreneurial self-efficacy were set at one standard deviation above and below their means. Figure 2 and 3 indicate that high self-efficacy entrepreneurs are more likely to engage in prosocial responses when the alternative funding options are sufficient than low self-efficacy entrepreneurs. Low self-efficacy entrepreneurs are less confident about their chance of obtaining funding from the alternative source. Thus, the alternatives show minimum influence on low self-efficacy entrepreneurs' prosocial responses.

Hypotheses 6 and hypotheses 7 propose that the positive relationship between fairness and prosocial responses, which includes learning from rejection and impression management, is attenuated by entrepreneurial self-efficacy. Figure 4, 5, and 6 illustrate the interaction effect between the fairness of the rejection and entrepreneurial self-efficacy. The values of the low and high entrepreneurial self-efficacy were set at one standard deviation above and below their means. Figure 4, 5, and 6 indicate that fairness has a stronger impact on low self-efficacy entrepreneurs' prosocial responses. This means low self-efficacy entrepreneurs' prosocial responses rely more heavily on the fairness than high self-efficacy entrepreneurs.

Hypotheses 10 and 11 propose that the negative relationship between fairness and two avoidant responses: withdrawal and exit intention, is weakened by resilience. Figure 7 and 8 illustrate the interaction effect between the fairness of the rejection and resilience. The values of the low and high resilience were set at one standard deviation above and

below their means. Figure 7 and 8 indicate that low and high resilient entrepreneurs have different responses to a fair rejection. Low resilient entrepreneurs' rejection responses dependent more on the negative emotion generated by the rejection. Fairness lowers the negative emotion. Thus, the fairer a rejection is, the less likely they are going to withdraw or quit the business. High resilient entrepreneurs have a high level of emotional stability; therefore, they care more about the strategic meaning of the rejection. A fair rejection indicates the venture has some fatal shortage. Thus, their withdrawal and exit intention increase as the fairness increase.

Hypotheses 14 propose that the negative relationship between fairness and derogation is enhanced by the self-esteem. Figure 9 illustrates the interaction effect between the fairness of the rejection and self-esteem. The values of the low and high self-esteem were set at one standard deviation above and below their means. Figure 9 indicates that low and high self-esteem entrepreneurs have different responses to a fair rejection. Individuals have the self-verification tendency. Low self-esteem entrepreneurs are more likely to attribute the failure of funding as their low self-value. An unfair rejection verified their explanation. Thus, they are less likely to derogate the investor. On the contrary, high self-esteem entrepreneurs are more likely to attribute the failure of funding as the flaw of the venture, which means their trust of the investor increase as the fairness increase.

CHAPTER IV

DISCUSSIONS AND CONCLUSIONS

Discussions

As a common challenge entrepreneurs encountered in the startup process, investor rejection has been indirectly investigated in venture financing area (e.g., Chow and Fung, 2000; Pissarides, 1999) such as "credit constraints" and "limited access to the capital", and venture capital literatures (e.g., Fiet, 1996; Zacharakis and Meyer, 1998; Zacharakis and Shepherd, 2001) such as "vc screening" and "vc selection". To further enrich the understanding of this phenomenon, the current study directly investigates the motivating and inhibiting effects of investor rejection on entrepreneurs.

Critical Findings

I empirically examined the impact of the financial environment and personality traits on entrepreneurs' rejection responses. The results indicate that when the environment offers sufficient capital options, entrepreneurs are more likely to learn and engage in impression management strategies after rejection. The alternative funding options also make the entrepreneurs moving on quickly. They are more likely to keep distance with the investor previous rejected them when the alternative funding option is available. The fairness during venture evaluation process is also critical. Entrepreneurs tend to learn more

and manage venture impression when they receive a fair rejection. They are also less likely to derogate the investor when they receive a rejection after a fair evaluation.

The current study also finds that some key personality traits also influence entrepreneurs' rejection response. The results indicate that entrepreneurial self-efficacy is positively associated with the two types of prosocial responses but has no effect on any avoidant response. Resilience is positively associated with both types of prosocial response: learning and impression management. Meanwhile, it also shows a positive impact on withdrawal and derogation. Self-esteem has a negative impact on both prosocial and avoidant responses. Richman and Leary (2009) propose that receiving rejection means one's relational value is devaluated. Self-esteem measures one's belief about self-worth. Thus, self-esteem can work as a shield which protects the entrepreneurs from the influence of rejection. Although high self-esteem entrepreneurs get less influence by the rejection, they also miss the valuable learning opportunity from rejection.

In addition to the direct effects, this study also identifies several interaction effects. The results indicate that the alternative funding source is more influential for high entrepreneurial self-efficacy entrepreneurs on their prosocial responses. For low self-efficacy entrepreneurs, the alternative funding options show little impact on their prosocial responses, which means even in an environment with plenty of entrepreneurial capital, low self-efficacy entrepreneurs are less motivated to pursue those options even after rejection. Unlike alternatives, the fairness during venture evaluation process is more critical for low self-efficacy entrepreneurs than it is for high self-efficacy entrepreneurs. Fairness is more motivating for low self-efficacy entrepreneurs to learn and improve venture image than it is for high self-efficacy entrepreneurs.

This study also find that high resilient individuals are more likely to move on when they receive a fair rejection. For the low resilient individuals, fairness decreases their avoidant responses. Fairness also impacts low and high self-esteem entrepreneurs differently. Fairness can increase low self-esteem entrepreneurs' chance of derogating the investor but decrease high self-esteem entrepreneurs' chance of derogating the investor.

Theoretical Implications

Scholars in the entrepreneurship field have paid more attention to the challenges, such as business failure (e.g., Mueller and Shepherd, 2014; Shepherd, 2003; Shepherd et al., 2009), war (e.g., Bullough et al., 2014), or nature disasters (e.g., Shepherd and Williams, 2014) in the venture creation process. Those challenges can motivate entrepreneurs to work harder or learn from the failure. Meanwhile, those obstacles can discourage entrepreneurial activities. This study enriches this line of research by offering a comprehensive understanding of rejections' inhibiting and motivating effects on entrepreneurs. I empirically examined who under what circumstance are more likely to be motived or discouraged by investors rejection. First, the empirical results indicate that investors rejection does trigger both entrepreneurs' prosocial and avoidant responses. Second, I find that both alternative funding source and perceived fairness of the rejection are critical for entrepreneurs' rejection response. Third, three personality traits: self-efficacy, self-esteem, and resilience's impacts on rejection responses are also examined in this study. Fourth, I identify important interaction effects between those personality traits and rejection experience.

This study also increases our understanding of emotion in the startup process. The results indicate that emotion is a critical factor for entrepreneurs' rejection responses. On the one hand, negative emotions trigger sense-making process which makes entrepreneurs learn from the rejection. On the other hand, negative emotions followed rejection provoke self-protection system, which motivates entrepreneurs to distance themselves from the rejection. Also, this study proves that resilience, a trait related to one's emotional stability, can help entrepreneurs deal with the negative emotions from the rejection. This study also increases our understanding of different personality traits' unique effect on entrepreneurs' rejection responses. For instance, entrepreneurial self-efficacy only impacts prosocial responses; resilience does not make entrepreneurs stick with their venture but makes them move on quickly; the desire for self-verification makes low self-esteem entrepreneurs increase derogation as fairness increases.

Practical Implications

This study also makes several important practical contributions. The empirical results indicate that sufficient entrepreneurial capital and a fair evaluation process can facilitate entrepreneurs' learning and motivate them to build better venture image. A fair evaluation from the investor can also help entrepreneurs realize the fatal flaw of their venture. Thus, they are able to fail early, which means they can avoid wasting resource on the project won't work.

This study also finds different person react to rejection differently. High self-esteem entrepreneurs are less vulnerable to the negative consequence of investors rejection. However, high self-esteem also decreases entrepreneurs' chance of learning from the

unsuccessful funding attempt. High resilient entrepreneurs are able to learn more and move on quickly from the investors' rejection. However, high resilient entrepreneurs are more likely to derogate the investor after the rejection. Entrepreneurs are often labeled as overconfident or overoptimistic (Forbes, 2005; Lowe and Ziedonis, 2006). The samples used in this study also show a highly skewness pattern for certain personality traits. Thus, entrepreneurs with high self-esteem and resilience should give more thoughts about their rejection experience. Instead of denying investors' competency, they should pay more attention to what they could learn from the rejection.

Limitation and Future Research

This study also has several limitations. First, as a prime study directly investigates entrepreneurs' responses to investor rejection, this study is more exploratory. The results offer inspirational insights but lack of detailed explanation of the mechanism. For instance, in the hypotheses development section, I predict that entrepreneurs respond to rejection differently based on their various emotional outcomes. However, I did not collect emotional data in the survey. Second, our data is collected through a third-party consulting firm. The average firm age is 12 years old. The maturity of the firm indicates that the data is collected from a highly self-selected sample frame, which could explain the high skewness of the data. Those limitations also offer great opportunities for the future research. To better understand the emotional outcome of rejection, future research could consider using experiment instead of survey to catch participants' immediately reaction. Also, future research could consider the long-term impacts of entrepreneurs' prosocial and avoidant responses on their venture finance and performance. To test the generalizability

of the finding of this study, future research might consider including more general sample frame, such as nascent entrepreneurs.

Due to the diversity and complexity of the mechanisms of entrepreneurs' rejection responses, it is also necessary to build a comprehensive framework to better understanding this phenomenon. This framework, which can also consider as the entrepreneurship version multimotive model, should include five distinct motivations for prosocial, avoidant, and defensive responses. First, investors' rejection indicates entrepreneurs' financial need is unsatisfied. Thus, entrepreneurs are motived to behave prosocially, which means they will do something to change the investors' decision and attract the other investors' attention. Second, investors' rejection also indicates investors have some doubts about the success rate of the venture. Thus, entrepreneurs are motivated to improve the venture strategies or terminate the operation. Third, when entrepreneurs receive a rejection, their sense of belonging is unsatisfied. The unsatisfied sense of belonging motivates them to continue seeking acceptance from alternative source, which might include both investors and other sources that can offer support, such as family and friends. Fourth, rejection is painful. People's instinctive to avoid the painful experience triggers self-protection mechanism, which means rejection can lead to many avoidant responses: withdrawal from the investors, termination of the venture, substance abuse, or procrastination. Fifth, rejection is also threating. Many entrepreneurs link their self-worth with the performance of their startups. Although the rejection is based on investors' evaluation of the venture, it can trigger ego threating for entrepreneurs. To deal with this threating, entrepreneurs are motivated to engage in ego-defense responses. For instance, they might derogate the investors' competency or attribute the rejection to external reasons other than admit their own failure.

Those five distinct motivates effect simultaneously, however, which motivation dominates the entrepreneurs is depend on the variance of contextual, relational, financial, personal factors. Developing and improving this multimotive framework offer great opportunities for future research.

Conclusions

Rejected by the investor is a common challenge that entrepreneurs face in the startup process. This study investigates how entrepreneurs respond to investors' rejection. The results indicate the rejection can motivate entrepreneurs to learn from the rejection and improve venture image. Meanwhile, investor rejection can also increase entrepreneurs' tendency of withdrawal from the investor and quitting the venture. Rejected by investor also increase entrepreneurs' doubts about the investors' competency. This study finds both the alternative funding source and the fairness of the rejection can impact entrepreneurs' rejection responses. Also, the individual difference influences how entrepreneurs deal with investors' rejection. The empirical evidence also indicates even given the same level of alternative funding source and fairness, entrepreneurs react to rejection differently based on their various personality traits. This study offers some preliminary evidence on the mechanism of entrepreneurs' rejection responses, which I hope to contribute to further conversation and research on the study of investor rejection.

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APPENDICES

Figure 1

Conceptual Map

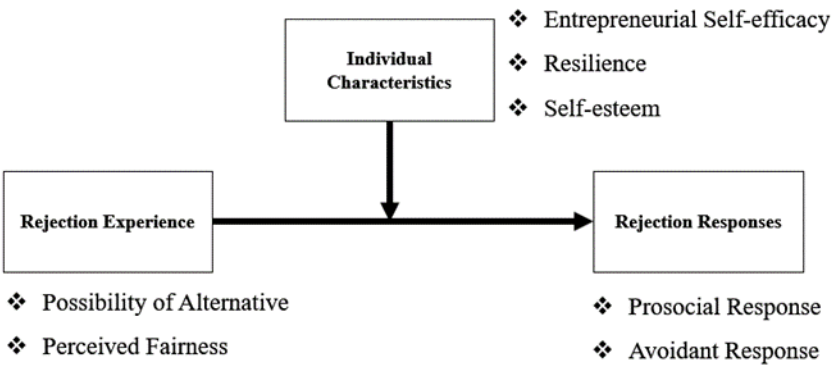

Figure 2

Alternatives, Entrepreneurial Self-efficacy, and Learning from the Rejection

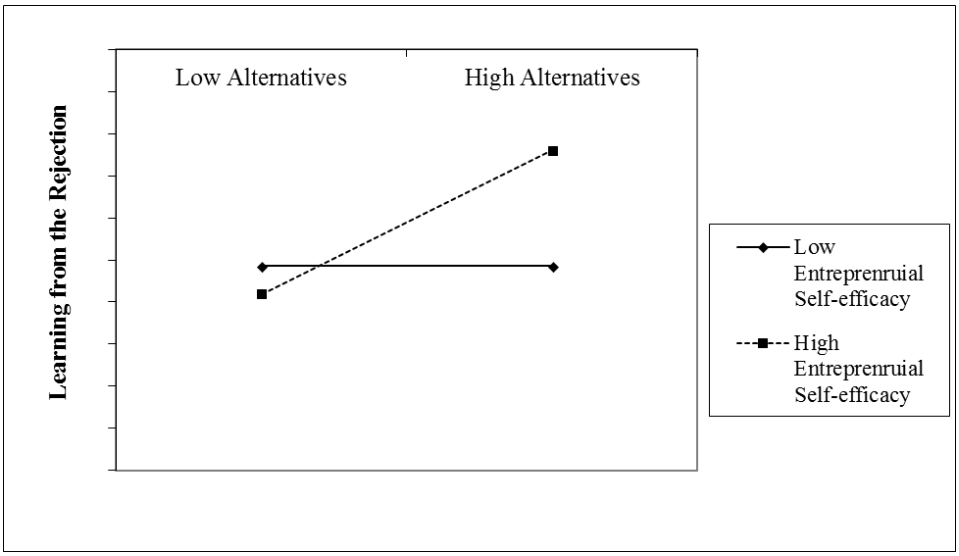

Figure 3

Alternatives, Entrepreneurial Self-efficacy, and Impression Management: Exemplification

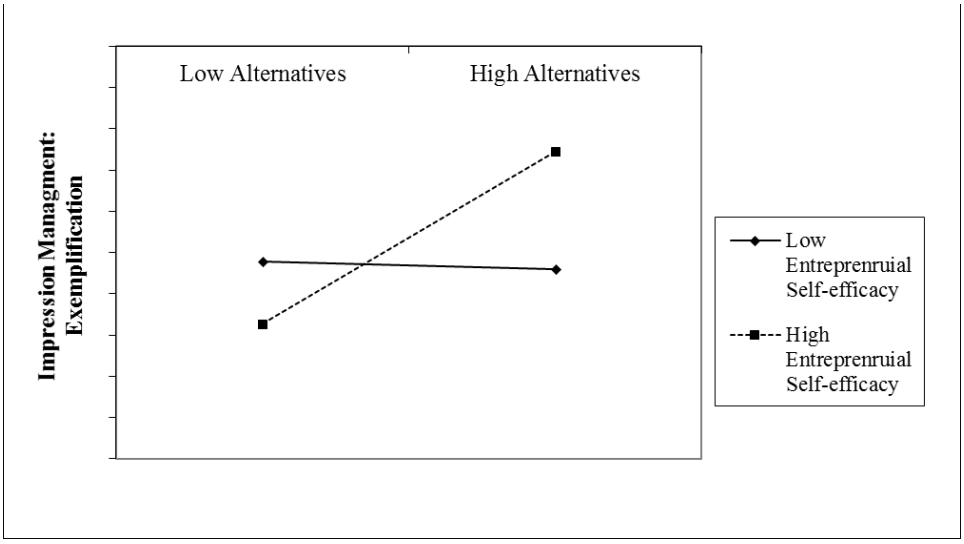

Figure 4

Fairness, Entrepreneurial Self-efficacy, and Learning from the Rejection

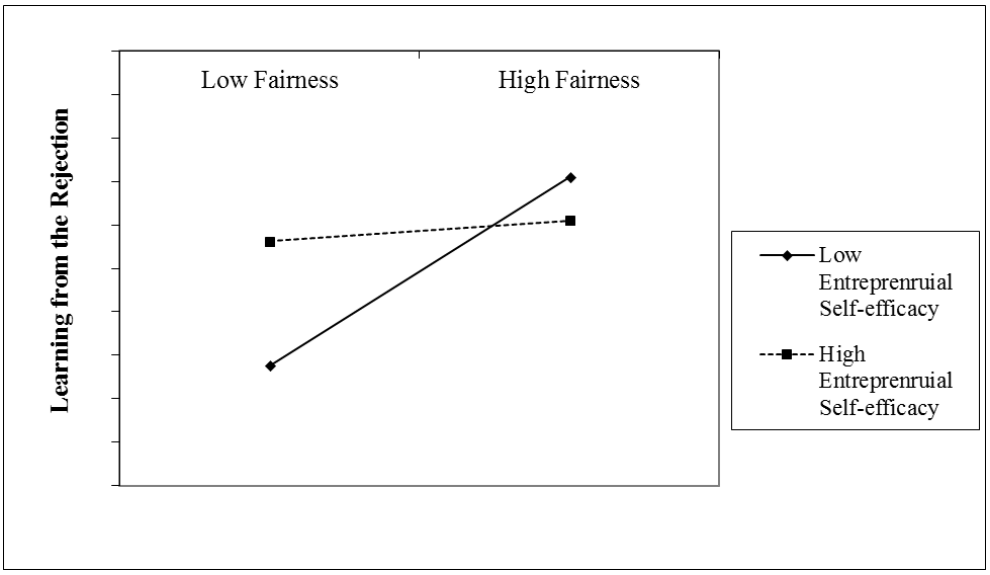

Figure 5

Fairness, Entrepreneurial Self-efficacy, and Impression Management: Self-promotion

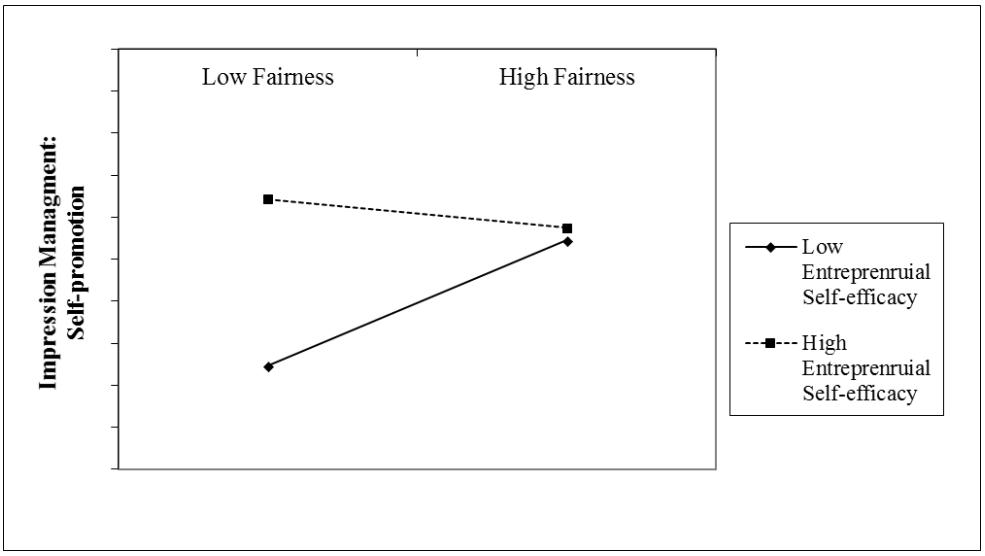

Figure 6

Fairness, Entrepreneurial Self-efficacy, and Impression Management: Exemplification

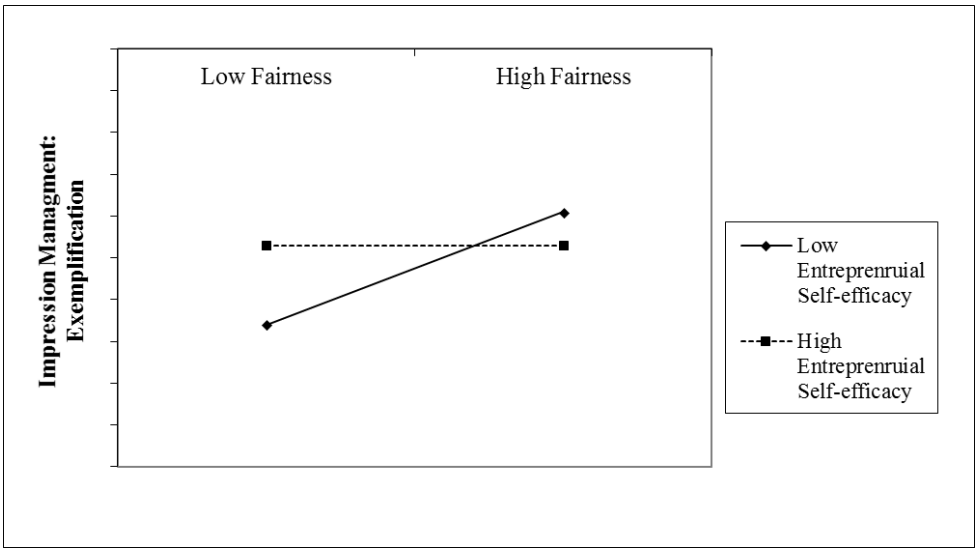

Figure 7

Fairness, Resilience, and Withdrawal from the Investor

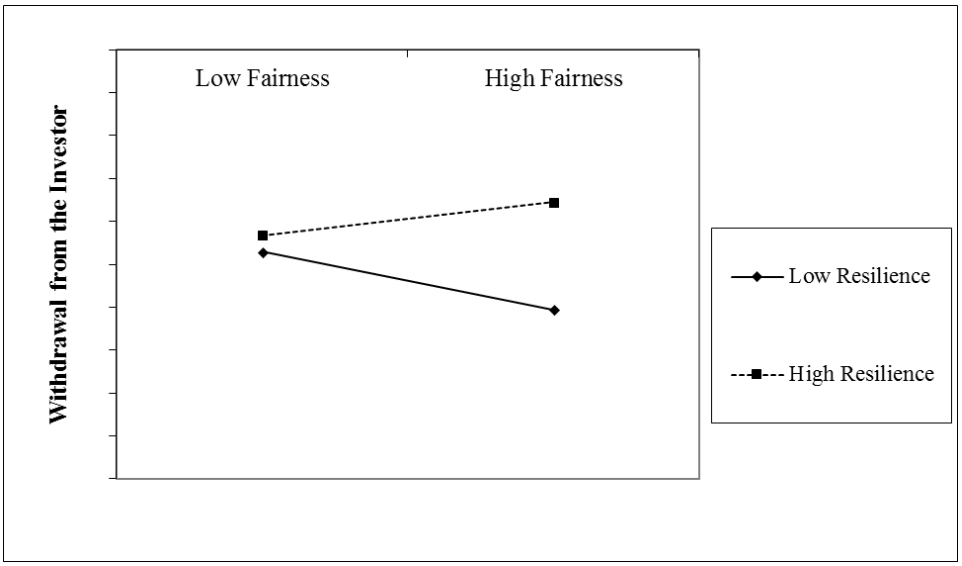

Figure 8

Fairness, Resilience, and Exit Intention

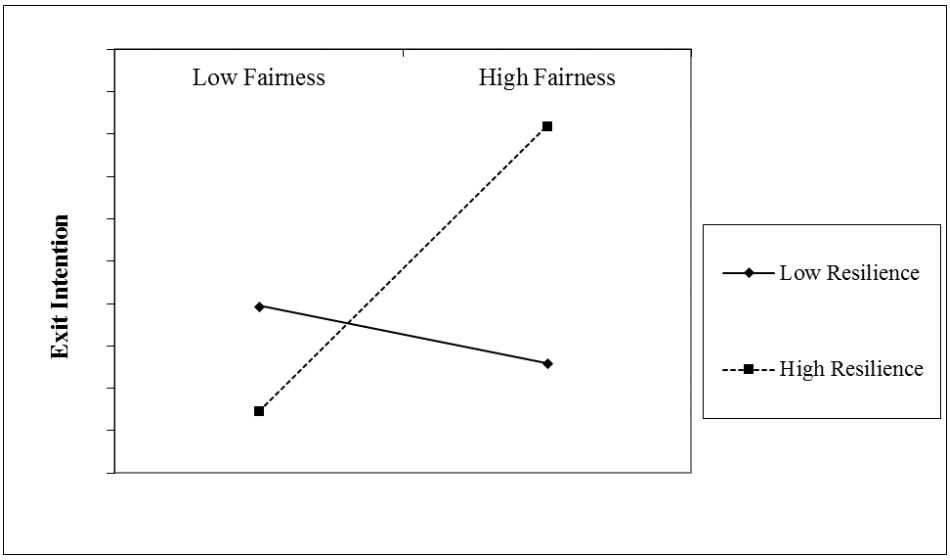

Figure 9

Fairness, Self-esteem, and Derogation

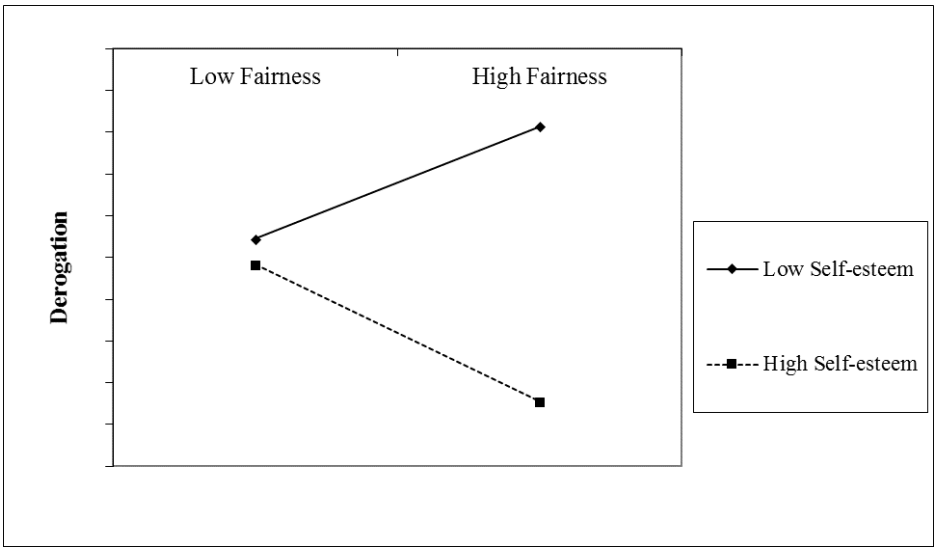

Table 1

Results of CFA Fit Indices

Construct	Average Variance Extracted	Composite Reliability	Cronbach's Alpha	CMIN/df	GFI	AGFI	CFI	NFI	TLI	RMSEA
Possibility of Alternatives	0.43	0.79	0.79	1.62	0.98	0.95	0.99	0.97	0.97	0.06
Perceived Fairness	0.51	0.86	0.86	2.35	0.96	0.92	0.97	0.96	0.96	0.08
Entrepreneurial Self-efficacy	0.58	0.87	0.87	3.90	0.96	0.89	0.97	0.96	0.94	0.12
Resilience	0.41	0.73	0.73	3.38	0.98	0.92	0.97	0.96	0.91	0.11
Negative Self-esteem	0.61	0.88	0.88	3.14	0.97	0.90	0.98	0.97	0.96	0.11
Learning from Rejection	0.40	0.84	0.84	2.10	0.95	0.90	0.95	0.91	0.93	0.08
Impression Management: Self-promotion	0.45	0.76	0.75	2.53	0.99	0.94	0.98	0.97	0.95	0.09
Impression Management: Exemplification	0.58	0.84	0.84	2.19	0.99	0.95	0.99	0.99	0.98	0.08
Withdrawal from the Investor	0.41	0.77	0.84	2.32	0.98	0.93	0.98	0.97	0.95	0.08
Derogation	0.62	0.91	0.91	2.81	0.96	0.90	0.98	0.96	0.96	0.10
Social Desirability	0.45	0.74	0.73	0.27	1.00	0.99	1.00	1.00	1.02	0.00
Social Support	0.33	0.79	0.77	1.73	0.96	0.93	0.97	0.94	0.96	0.06

Table 2

Correlation Matrix, Mean and Standard Deviation

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Possibility of Alternatives	0.03	0.95														
2. Perceived Fairness	0.04	0.96	0.47**													
3. Self-efficacy	-0.02	1.00	0.17*	0.09												
4. Resilience	-0.02	1.00	0.34**	0.30**	0.37**											
5. Self-esteem	-0.01	1.00	-0.17*	-0.30**	0.38**	0.09										
6. Learning from Failure	0.02	0.98	0.54**	0.51**	0.26**	0.42**	-0.14*									
7. Self-promotion	-0.02	1.00	0.46**	0.33**	0.39**	0.54**	0.08	0.60**								
8. Exemplification	0.00	1.00	0.52**	0.50**	0.19**	0.33**	-0.24**	0.61**	0.38**							
9. Withdrawal	0.02	0.99	0.36**	0.35**	-0.16*	0.16*	-0.50**	0.37**	0.22**	0.43**						
10. Exit Intention	4.93	2.11	0.20**	0.40**	-0.13	0.07	-0.45**	0.32**	0.10	0.37**	0.49**					
11. Derogation	0.01	0.99	0.21**	0.14	-0.16*	0.10	-0.57**	0.21**	0.12	0.32**	0.60**	0.43**				
12. Relational Repair	4.18	0.91	0.37**	0.44**	0.13	0.25**	-0.15*	0.46**	0.28**	0.48**	0.32**	0.31**	0.17*			
13. Value of the Relation	3.94	0.96	0.36**	0.54**	0.14	0.28**	-0.20**	0.41**	0.29**	0.53**	0.39**	0.39**	0.21**	0.53**		
14. Social Desirability	0.00	1.00	-0.11	-0.17*	0.42**	0.14	0.64**	-0.04	0.13	-0.14*	-0.42**	-0.40**	-0.49**	-0.21**	-0.19**	
15. Social Support	0.03	0.97	0.36**	0.07	0.42**	0.37**	0.39**	0.39**	0.52**	0.26**	-0.14	-0.22**	-0.19**	0.19**	0.03	0.33**

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 3a

OLS Estimates

Variables	Learning from Rejection															
	1		2		3		4		5		6		7		8	
	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE
Main variables																
Possibility of Alternatives (H1)			0.25***	0.07					0.19**	0.07	0.19**	0.07	0.19**	0.07	0.18**	0.07
Perceived Fairness (H3)					0.27***	0.07			0.21**	0.07	0.22**	0.07	0.23**	0.07	0.25***	0.07
Entrepreneurial Self-efficacy							0.09	0.07	0.08	0.06	0.06	0.07	0.12+	0.07	0.10	0.07
Entrepreneurial Self-efficacy X Possibility of Alternatives (H4)											0.06	0.06			0.18*	0.07
Entrepreneurial Self-efficacy X Perceived Fairness (H6)													-0.09	0.06	-0.20**	0.08
Control variables																
Resilience	0.19**	0.06	0.16**	0.06	0.15*	0.06	0.17**	0.06	0.12+	0.06	0.12*	0.06	0.10	0.06	0.09	0.06
Self-esteem	-0.27***	0.07	-0.21**	0.07	-0.20**	0.07	-0.28***	0.07	-0.18*	0.07	-0.18*	0.07	-0.20**	0.07	-0.22**	0.07
Expectations of Relational Repair	0.23**	0.07	0.20**	0.07	0.17**	0.07	0.22**	0.07	0.16*	0.07	0.16*	0.07	0.16*	0.07	0.15*	0.07
Value of the Relationship	0.20**	0.07	0.15*	0.07	0.10	0.07	0.18**	0.07	0.07	0.07	0.07	0.07	0.08	0.07	0.07	0.07
Social Desirability	0.08	0.07	0.08	0.07	0.05	0.07	0.05	0.07	0.04	0.07	0.04	0.07	0.06	0.07	0.06	0.07
Social Support	0.36***	0.07	0.27***	0.07	0.35***	0.06	0.34***	0.07	0.26***	0.07	0.27***	0.07	0.26***	0.07	0.27***	0.07
Constant	-1.73***	0.30	-1.42***	0.30	-1.14***	0.33	-1.67***	0.30	-0.96**	0.33	-0.94**	0.33	-0.97**	0.33	-0.93**	0.32
Observations	196		196		196		196		196		196		196		196	
Model R-squared	0.44		0.47		0.48		0.44		0.51		0.51		0.51		0.53	
Adjusted R-squared	0.42		0.46		0.46		0.42		0.48		0.48		0.48		0.50	
F-Stat	24.38		24.25		24.71		21.24		21.06		19.05		19.31		18.67	

Standard errors are reported in parentheses. + p < 0.10; * p < 0.05;** p < 0.01;*** p < 0.001

Table 3b

OLS Estimates

Variables	Impression Management: Self-promotion															
	1		2		3		4		5		6		7		8	
	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE
Main variables																
Possibility of Alternatives (H2)			0.19**	0.07					0.17*	0.07	0.17*	0.07	0.16*	0.07	0.16*	0.07
Perceived Fairness					0.13+	0.07			0.08	0.07	0.09	0.07	0.12+	0.07	0.12	0.07
Entrepreneurial Self-efficacy							0.13*	0.07	0.13+	0.07	0.18**	0.07	0.22**	0.07	0.22**	0.07
Entrepreneurial Self-efficacy X Possibility of Alternatives (H5)											-0.15*	0.06			-0.03	0.08
Entrepreneurial Self-efficacy X Perceived Fairness (H7)													-0.21***	0.06	-0.19**	0.08
Control variables																
Resilience	0.35***	0.06	0.32***	0.06	0.33***	0.06	0.32***	0.06	0.29***	0.06	0.27	0.06	0.24***	0.06	0.24***	0.06
Self-esteem	-0.10	0.07	-0.06	0.07	-0.07	0.08	-0.12+	0.07	-0.06	0.08	-0.06	0.07	-0.11	0.07	-0.10	0.08
Expectations of Relational Repair	0.03	0.07	0.01	0.07	0.01	0.07	0.03	0.07	-0.01	0.07	0.00	0.07	0.00	0.07	0.00	0.07
Value of the Relationship	0.16*	0.07	0.12+	0.07	0.11	0.07	0.14*	0.07	0.08	0.07	0.09	0.07	0.08	0.07	0.08	0.07
Social Desirability	0.05	0.07	0.05	0.07	0.04	0.07	0.01	0.07	0.01	0.07	0.02	0.07	0.04	0.07	0.04	0.07
Social Support	0.42***	0.07	0.35***	0.07	0.41***	0.07	0.39***	0.07	0.33***	0.07	0.32	0.07	0.33***	0.07	0.32***	0.07
Constant	-0.80**	0.30	-0.55+	0.31	-0.51	0.34	-0.69*	0.31	-0.30	0.34	-0.35	0.34	-0.33	0.33	-0.33	0.33
Observations	196		196		196		196		196		196		196		196	
Model R-squared	0.45		0.47		0.46		0.46		0.49		0.50		0.52		0.52	
Adjusted R-squared	0.43		0.45		0.44		0.44		0.46		0.48		0.49		0.49	
F-Stat	25.80		24.05		22.90		23.06		19.61		18.80		20.01		18.13	

Standard errors are reported in parentheses. + $p < 0.10$; * $p < 0.05$;** $p < 0.01$;*** $p < 0.001$

Table 3c

Variables	OLS Estimates Impression Management: Exemplification															
	1		2		3		4		5		6		7		8	
	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE
Possibility of Alternatives (H2)			0.25***	0.07					0.22**	0.07	0.22**	0.07	0.22**	0.07	0.21**	0.071
Perceived Fairness					0.17**	0.07			0.11	0.07	0.11	0.07	0.11	0.07	0.14+	0.073
Entrepreneurial Self-efficacy							0.09	0.07	0.08	0.07	0.03	0.07	0.08	0.07	0.06	0.07
Entrepreneurial Self-efficacy X Possibility of Alternatives (H5)											0.14*	0.06			0.23**	0.08
Entrepreneurial Self-efficacy X Perceived Fairness (H7)													0.01	0.06	-0.14+	0.08
Control variables																
Resilience	0.12+	0.06	0.08	0.06	0.09	0.06	0.10	0.06	0.05	0.06	0.07	0.06	0.05	0.06	0.05	0.06
Self-esteem	-0.28***	0.07	-0.22**	0.07	-0.23**	0.08	-0.29***	0.08	-0.21**	0.08	-0.21**	0.08	-0.21**	0.08	-0.24**	0.08
Expectations of Relational Repair	0.20**	0.07	0.17*	0.07	0.17*	0.08	0.20**	0.07	0.15*	0.07	0.14+	0.07	0.15*	0.07	0.14+	0.07
Value of the Relationship	0.36***	0.07	0.31***	0.07	0.29***	0.07	0.35***	0.07	0.26***	0.07	0.26***	0.07	0.26***	0.07	0.25***	0.07
Social Desirability	0.04	0.07	0.04	0.07	0.02	0.07	0.01	0.08	0.01	0.07	0.01	0.07	0.01	0.07	0.02	0.07
Social Support	0.28***	0.07	0.18**	0.07	0.27***	0.07	0.26***	0.07	0.17*	0.07	0.18*	0.07	0.17*	0.07	0.19	0.07
Constant	-2.27***	0.31	-1.96***	0.31	-1.89***	0.34	-2.20***	0.31	-1.69***	0.34	-1.65***	0.34	-1.69***	0.34	-1.64***	0.34
Observations	196		196		196		196		196		196		196		196	
Model R-squared	0.44		0.47		0.46		0.44		0.49		0.50		0.49		0.51	
Adjusted R-squared	0.42		0.45		0.43		0.42		0.46		0.47		0.46		0.48	
F-Stat	24.53		24.18		22.40		21.36		19.46		18.45		17.42		17.26	

Standard errors are reported in parentheses. + $p < 0.10$; * $p < 0.05$;** $p < 0.01$;*** $p < 0.001$

Table 3d

OLS Estimates

Variables	Withdrawal from the Investor											
	1		2		3		4		5		6	
	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE
Main variables												
Possibility of Alternatives (H8)			0.25**	0.07					0.23**	0.08	0.22**	0.08
Perceived Fairness					0.08	0.08			-0.01	0.08	-0.03	0.08
Resilience							0.16*	0.07	0.13^{+}	0.07	0.14*	0.07
Resilience x Perceived Fairness (H10)											0.11^{+}	0.06
Control variables												
Entrepreneurial Self-efficacy	-0.03	0.07	-0.04	0.07	-0.03	0.07	-0.06	0.07	-0.07	0.07	-0.08	0.07
Self-esteem	-0.36***	0.08	-0.30***	0.08	-0.34***	0.08	-0.35***	0.08	-0.30***	0.08	-0.27**	0.08
Expectations of Relational Repair	0.12	0.08	0.09	0.08	0.11	0.08	0.11	0.08	0.08	0.08	0.08	0.08
Value of the Relationship	0.25**	0.07	0.19**	0.07	0.22**	0.08	0.22**	0.07	0.18*	0.08	0.19*	0.08
Social Desirability	-0.11	0.08	-0.10	0.08	-0.11	0.08	-0.12	0.08	-0.11	0.08	-0.13	0.08
Social Support	0.02	0.07	-0.08	0.08	0.02	0.07	-0.02	0.07	-0.10	0.08	-0.09	0.08
Constant	-1.46***	0.32	-1.12**	0.33	-1.28**	0.37	-1.29***	0.32	-1.03**	0.36	-1.08**	0.36
Observations	196		196		196		196		196		196	
Model R-squared	0.36		0.40		0.37		0.38		0.41		0.42	
Adjusted R-squared	0.34		0.38		0.34		0.36		0.38		0.39	
F-Stat	17.79		17.75		15.41		16.42		14.35		13.46	

Standard errors are reported in parentheses. $^{+}$ p < 0.10; * p < 0.05;** p < 0.01;*** p < 0.001

Table 3e

OLS Estimates

Variables	Exit Intention											
	1		2		3		4		5		6	
	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE
Main variables												
Possibility of Alternatives (H9)			0.12	0.16					0.01	0.17	-0.02	0.17
Perceived Fairness					0.38**	0.16			0.37*	0.17	0.28	0.17
Resilience							0.13	0.15	0.08	0.15	0.14	0.15
Resilience x Perceived Fairness (H11)											0.42**	0.13
Control variables												
Entrepreneurial Self-efficacy	0.05	0.15	0.04	0.15	0.03	0.15	0.02	0.16	0.01	0.15	-0.02	0.15
Self-esteem	-0.56**	0.17	-0.53**	0.18	-0.46*	0.18	-0.55**	0.17	-0.45**	0.18	-0.35^{+}	0.18
Expectations of Relational Repair	0.31^{+}	0.17	0.29^{+}	0.17	0.23	0.17	0.30^{+}	0.17	0.23	0.17	0.21	0.17
Value of the Relationship	0.54**	0.16	0.51**	0.16	0.39*	0.17	0.51**	0.16	0.38*	0.17	0.42*	0.17
Social Desirability	-0.25	0.17	-0.25	0.17	-0.28^{+}	0.17	-0.26	0.17	-0.29^{+}	0.17	-0.35*	0.17
Social Support	-0.26^{+}	0.15	-0.31^{+}	0.17	-0.289^{+}	0.15	-0.29^{+}	0.16	-0.31^{+}	0.17	-0.27	0.17
Constant	1.52*	0.70	1.69*	0.73	2.41**	0.79	1.67*	0.72	2.47**	0.81	2.29**	0.79
Observations	196		196		196		196		196		196	
Model R-squared	0.33		0.33		0.35		0.33		0.35		0.38	
Adjusted R-squared	0.31		0.31		0.32		0.31		0.32		0.35	
F-Stat	15.44				14.33		13.33		11.08		11.47	

Standard errors are reported in parentheses. $^{+}$ p < 0.10; * p < 0.05;** p < 0.01;*** p < 0.001

Table 3f

OLS Estimates

Variables	Derogation											
	1		2		3		4		5		6	
	B	SE	B	SE	B	SE	B	SE	B	SE	B	SE
Main variables												
Possibility of Alternatives (H12)			0.17*	0.08					0.13^{+}	0.08	0.10	0.07
Perceived Fairness (H13)					-0.04	0.08			-0.19**	0.08	-0.03	0.08
Self-esteem							-0.43***	0.08	-0.45***	0.08	-0.35***	0.08
Self-esteem x Perceived Fairness (H14)											-0.31***	0.06
Control variables												
Entrepreneurial Self-efficacy	0.00	0.08	0.00	0.07	0.00	0.08	0.06	0.07	0.06	0.07	0.03	0.07
Resilience	0.18*	0.07	0.15*	0.07	0.18*	0.07	0.15*	0.07	0.16*	0.07	0.06	0.07
Expectations of Relational Repair	0.01	0.08	-0.02	0.08	0.01	0.08	-0.01	0.08	0.01	0.08	0.05	0.07
Value of the Relationship	0.08	0.08	0.04	0.08	0.09	0.08	0.04	0.07	0.08	0.08	0.07	0.07
Social Desirability	-0.46***	0.07	-0.43***	0.07	-0.46***	0.07	-0.24**	0.08	-0.22**	0.08	-0.18*	0.07
Social Support	-0.11	0.08	-0.17*	0.08	-0.11	0.08	-0.02	0.07	-0.06	0.08	-0.12^{+}	0.07
Constant	-0.31	0.35	-0.09	0.36	-0.41	0.39	-0.09	0.32	-0.35	0.36	-0.55	0.34
Observations	196		196		196		196		196		196	
Model R-squared	0.28		0.30		0.28		0.38		0.41		0.48	
Adjusted R-squared	0.26		0.27		0.26		0.36		0.38		0.45	
F-Stat	12.39		11.50		10.63		16.67		14.16		17.18	

Standard errors are reported in parentheses. $^{+}$ p < 0.10; * p < 0.05;** p < 0.01;*** p < 0.001

Table 4

Hypotheses Summary Table

	Hypotheses	Accept
H1	Entrepreneurs with high possibility of alternative funding source learn more from investor rejection than entrepreneurs with low possibility of alternative funding source.	Supported
H2	Entrepreneurs with high possibility of alternative funding source engage in impression management more frequently than entrepreneurs with low possibility of alternative funding source.	Supported
H3	Entrepreneurs who perceived the rejection is fair learn more from investor rejection than entrepreneurs who perceived the rejection is unfair.	Supported
H4	As the possibility of alternative raised, high self-efficacy entrepreneurs' learning increases more than low self-efficacy entrepreneurs' learning.	Supported
H5	As the possibility of alternative raised, high self-efficacy entrepreneurs' impression management increases more than low self-efficacy entrepreneurs' impression management.	Partially Supported
H6	As the perceived fairness raised, low self-efficacy entrepreneurs' learning increases more than high self-efficacy entrepreneurs' learning.	Supported
H7	As the perceived fairness raised, low self-efficacy entrepreneurs' impression management increases more than high self-efficacy entrepreneurs' impression management.	Supported
H8	Entrepreneurs with high possibility of alternative funding source is more likely to withdrawal from the previous investor than entrepreneurs with low possibility of alternative funding source.	Supported
H9	Entrepreneurs with high possibility of alternative funding source have less exit intention than entrepreneurs with low possibility of alternative funding source.	Not Supported
H10	As the perceived fairness increases, low resilient entrepreneurs' chance of withdrawal declines more than high resilient entrepreneurs' chance of withdrawal.	Supported
H11	As the perceived fairness increase, low resilient entrepreneurs' exit intention declines more than high resilient entreprenurs' exit intention.	Supported
H12	Entrepreneurs with high possibility of alternative funding source is more likely to derogate investors' competency than entrepreneurs with low possibility of alternative funding source.	Supported
H13	Entrepreneurs who perceived the rejection is fair is less likely to derogate investor's competency than entrepreneurs who perceived the rejection is unfair.	Supported
H14	As the perceived fairness increases, high self-esteem entrepreneurs' chance of derogating the investor declines more than low resilient entrepreneurs' chance of derogating the investor.	Supported

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