



**FEAR OF FAILURE IN THE CONTEXT OF MAKING  
INTERNATIONALISATION DECISION OF A FIRM**

By

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Thesis submitted to The University of Adelaide in fulfilment of the requirements for  
the degree of Doctor of Philosophy

Adelaide Business School

The University of Adelaide

April 2019



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## List of Abbreviations

FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
IB	International Business
IE	International Entrepreneurship
IO	International Opportunity
IP	Intellectual Property
IPA	Interpretative Phenomenological Analysis
IP Model	The Uppsala Model of Internationalisation Process
MNE	Multinational enterprise
NATTI	National Accreditation Authority for Translators and Interpreters
R&D	Research and Development
SMEs	Small and Medium-Sized Enterprises
OBOR	The 'One Belt, One Road' Initiative
OECD	The Organisation for Economic Co-operation and Development

## List of Independent Conference Records from the Thesis

### **Paper 1 Conceptual Paper**

- The original manuscript (sole-author) was developed at European Union workshop, the Australian National University, 2015.
- The original manuscript (sole-author) was developed at the Paper Development Workshop (PDW) of the European Union Studies Association Asia Pacific (EUSAAP) at Aoyama Gakuin University in Tokyo, Japan, 2<sup>nd</sup> July 2017.

### **Paper 2 Empirical Paper A**

- This paper (sole-author) was accepted and presented at Academy of International Business (AIB) Oceania 2018 Symposium at the University of Melbourne, Australia, 16th November, 2018.
- This paper (sole-author) was developed at the Paper Development Workshop (PDW) of Academy of International Business (AIB) Oceania 2018 Research Symposium at the University of Melbourne, Australia, 17th November, 2018.
- This paper (sole-author) was accepted at the Academy of International Business Southeast Asia Regional Conference (AIBSEAR) in Hong Kong, China, 6th-8th December, 2018.
- This paper (sole-author) was accepted as the competitive paper at the 44th European International Business Academy Conference (EIBA) in Poznań, Poland, December, 13-15, 2018.

### **Paper 3 Empirical Paper B**

- This paper (sole-author) was accepted and presented at the competitive session, Academy of International Business (AIB) Conference in Copenhagen, Denmark, June 24-27, 2019.
- This paper (sole-author) was accepted at the Australia and New Zealand International Business Academy (ANZIBA) Conference at the Curtin University in Perth, 11-13<sup>th</sup> February 2019.
- This paper (sole-author) was developed at the Emotions and Cognitions in the Rough workshop (ECR) of the 32nd Australian and New Zealand Academy of Management (ANZAM) Conference, 5<sup>th</sup> December 2018.

Note: I am willing, and able, to provide documented evidences of above papers according to the conference submission system to verify that they are my authentic and independent work.

**Notes for examiners:**

- All translations from Mandarin to English are implemented by me. Professional translators (certified with NATTI acceleration) help to review some of the translated content.
- This thesis acknowledges the professional editor (English) has proofed read the whole thesis.
- This thesis uses the Endnote referencing style: APA 6.

## Thesis Declaration

I, KECHEN DONG, certify that this work contains no material which has been accepted for the award of any other degree or diploma in my name, in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will, in the future, be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of the University of Adelaide and where applicable, any partner institution responsible for the joint-award of this degree.

I acknowledge that copyright of published works contained within this thesis resides with the copyright holder of those works. I also give permission for the digital version of my thesis to be made available on the web, via the University's digital research repository, the Library Search and also through web search engines, unless permission has been granted by the University to restrict access for a period of time.

KECHEN DONG

SIGNATURE: \_\_\_\_\_

DATE: 11 April, 2019

## Acknowledgements

Fear of failure is not only my research focus in this dissertation but also an indispensable experience of my PhD candidature. This thesis carries thanks and enormous gratitude to all of the kind people who supported and helped me sincerely.

First, I wholeheartedly thank Dr Barry Elsey supervised me and accompanied me go through my thesis page by page in the most stressful stage that is full of darkness. Also, my appreciation goes to Professor Noel Lindsay for his constant support. Many thanks to Professor Arvid Hoffmann and Professor Michael Liebelt for looking after HDR students. Furthermore, thanks to Professor Dirk Boehe, Associate Professor Jodie Conduit, Dr Cate Jerram, Dr Henry Shi and Dr Francesco Barbera who offer the kindest support to me. They are role models motivating me to keep good values.

Second, I would like to thank Adelaide Graduate Centre and Adelaide Business School for offering me scholarship and research support. Big thanks to all of my research participants for their treasured time and voluntary contributions. Their views enlighten me to explore the depth and rigour in the real business world.

Last but not least, I am grateful to my boyfriend Tao since adolescence. Tremendous thanks to my research peers who stand by me, trust me, and believe me: dear Kristin, Ankit, Jingjing, Lulu, Karen, Fifi, Hanh, Bora, and Tiep, as well as my friend Qing and Cherica. Furthermore, I appreciate my 'Aussie families' for standing by me: June Phillips, Lyn Wright and Ann Ferguson. Thanks to my father and mother for their selfless love. The way to express the appreciation in China is always implicit and beyond the words. I wish my parents will be proud of me when they see my thesis: I use English to accomplish such a huge amount of work.



## Thesis Abstract

The thesis addresses the broad research problem exploring fear of failure as experienced by small-and medium-sized enterprise (SME) owners in the context of their making decisions about internationalising their ventures. The success of SME internationalisation pursuits is associated with the decision maker's capacity to appropriately evaluate and to make relevant decisions in the context of the risk, uncertainty and complexity of the international business environment. The possibility of failure, in particular, contributes to the difficulty of decision-making, with failure in international markets a widespread phenomenon. Fear of failure is well researched in Psychology and is studied extensively in Entrepreneurship research; however, these findings cannot be simply extended into new contexts including international business settings, because individuals may generate unique feelings, thinking and behavioural responses when moving into a new environment. A number of empirical studies indicate the effect of emotions on internationalisation decisions, including direct foreign investment and the impact of fear of failure on the exporting behaviour of SMEs. Although fear of failure is recognised as being real and a contributor toward other behaviours, SME owners' emotions, cognition and behavioural responses are unclear when experiencing fear of failure in the context of making internationalisation decisions.

The thesis advances the field of international business by providing insights into the relevance and complexity of the fear of failure in the process of SME internationalisation. The research builds upon existing theory and extends the conversation about "connecting people with internationalisation", exploring the micro-level characteristics and actions of the individual driving firm-level internationalisation

outcomes. The thesis explores the scholarly conversation between ‘emotion and internationalisation’ by leveraging insights from Psychology and Entrepreneurship in order to better understand the fear of failure experiences of individuals and by identifying ways in which they respond differently. Such in-depth understanding cannot be achieved if this complex phenomenon is explored within the process of internationalisation alone. The contexts for making internationalisation decisions provide greater insights as a conduit for in-depth exploration of the fear of failure experience and its dynamic and complex nature. This is because new market entry decisions are often made in unfamiliar, foreign business environments underpinned by risk and uncertainty. They provide environmental stimuli to trigger cognitive re-appraisals and to impact the SME owners’ perceptions relating to venture growth potential and/or potential threats to venture survival. This empirical investigation answers two research questions:

*(1) How do SME owners experience emotional and cognitive aspects of fear of failure in the context of making internationalisation decisions for their firms?*

*(2) How do SME owners learn when experiencing fear of failure in the context of making internationalisation decisions for their firms?*

Due to the exploratory nature of these research questions, this study applies a qualitative methodology and employs interpretive phenomenological analysis of data collected via semi-structured interviews with 18 owners of SME-exporters from China. The research is conducted in China due to its contextual uniqueness, including its export-led SME growth associated with international networks, as well as the socially deep-rooted culture of fear losing ‘face’.

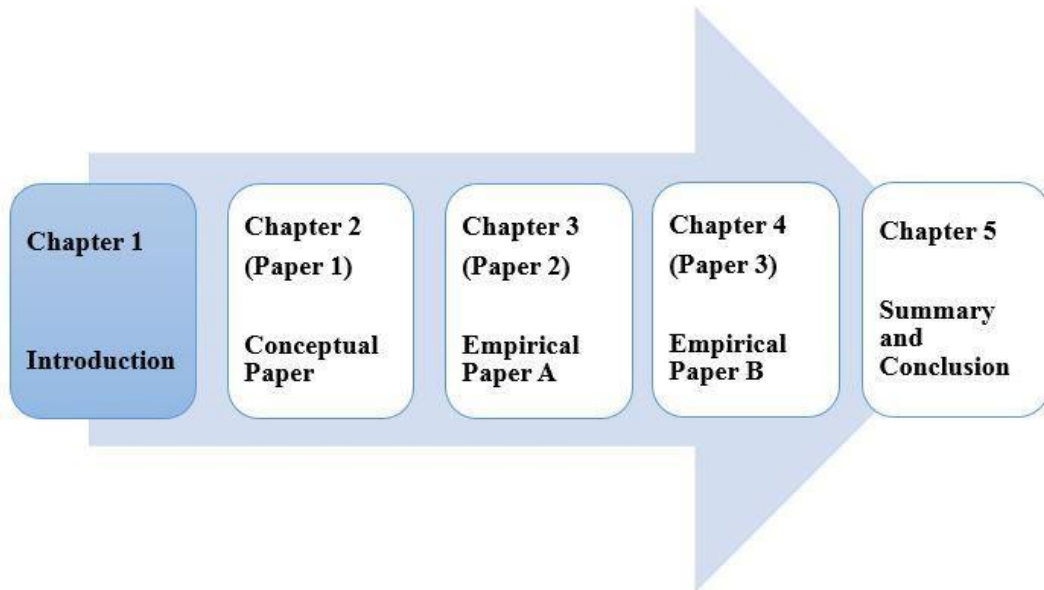
The research findings conclude with a greater understanding of the dynamism of fear of failure as experienced by SME owners in the context of making

internationalisation decisions. These findings focus on the interaction between emotional expression of fear of failure and cognitive assessment of sources of fear of failure: fear of failing to manage risk and uncertainty, as well as fear of the consequences of failing to enter an international market. Furthermore, fear of failure triggers individuals to learn as a behavioural response. In turn, this learning contributes to pacifying the fear of failure emotions, and further activating hope of success as indicating emotional change, as well as enhancing knowledge development of risk and uncertainty management strategies to gain clarity of thinking as part of cognitive change. As such, the research findings contribute to entailing emotion, cognition and behaviour response when experiencing the fear of failure in the context of making internationalisation decisions.

The thesis contributes to International Business literature by centralising the role of the individual decision-maker in the IP model and extending it from the fear of failure perspective. Research contributions are made at both theoretical and applied levels with results that are relevant for SME owners. Furthermore, implications for designing internationalisation education and training programs are offered, so contributing to proactive strategies formulated to deal with fear of failure.

Key words: fear of failure, learning, internationalisation

# 1. Introduction Chapter



## **1.1. Statement of the Thesis**

This thesis offers a deep understanding of the fear of failure in International Business Literature. The broad research problem explored in this thesis is *'how do SME owners, responsible for internationalisation decisions, experience fear of failure in the process of the internationalisation of a firm?'* This exploratory study investigates how small and medium-sized enterprise (SME) owners in China experience the emotional and cognitive aspects of fear of failure in the context of making internationalisation decisions, and their behavioural responses to fear of failure experience.

Chapter 1 offers an introduction to the research conducted in support of this thesis. First, it outlines the research background. It then by presenting research motivations, a detailed discussion of research issues and the significance of this thesis. Third, the scope of this thesis is discussed along with clarifying research objectives and research questions. The research process is illustrated next. It is followed by an explaining the context of this study. Presentation of the thesis structure terminates this chapter.

## **1.2. Research Background**

Globalisation has brought intensive changes to the business world in various aspects. Owing to the convenience of global transport and the decreased cost of communication, an increasing number of businesses attempt to operate across borders pursuing internationalisation. In an increasingly globalised world, small and medium-sized enterprises (SMEs) are essential for delivering more inclusive international business and growth, and their enormous contributions to socio-economic development in local economies are well-recognised (OECD, 2017a). SMEs play essential roles in contributing up to 60% of total employment and up to 40% of national income (GDP) in emerging economies, as well as being responsible for innovation (The World Bank 2019a). Seizing

opportunities presented by globalisation, SMEs adopt internationalisation as a significant long-term strategy for growth or survival.

The benefits to SMEs of successful internationalisation are unquestionable (G. Knight, 2000; Love & Roper, 2015; Lu & Beamish, 2001), but the road to success in the international arena is paved with challenges. International markets bring higher levels of environmental and task complexity, dynamism and time pressures for decision-makers compared to the domestic environment (Raven, McCullough, & Tansuhaj, 1994), risk and uncertainty (Liesch, Welch, & Buckley, 2011), as well as various obstacles (Westhead, 2008), create challenges for those making internationalisation decisions. The current international business environment is adverse and ambiguous alongside the threat of the global economic slowdown (The International Monetary Fund, 2019). Challenge and failure in international markets are not unusual (Alexander & Korine, 2008). Failure in international business refers to unexpected decreased involvement in international activities, divestment and export withdrawal (Nummela, Saarenketo, & Loane, 2016), and is considered a natural part of the process of the internationalisation of a firm as it comprises both progress and setbacks (Clarke & Liesch, 2017; Kriz & Welch, 2018).

To support the sustained internationalisation efforts of SMEs, it is important to consider the context for making internationalisation decisions by the individuals who carry this responsibility for the firm. The inception of the internationalisation process of a firm is a critical stage, as are the subsequent internationalisation activities. The *Uppsala Model of Internationalisation Process* (IP Model) (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017) provides fundamental insights into the internationalisation behaviour of a firm, with a particular focus on SMEs (Ruzzier, Hisrich, & Antoncic, 2006; Tan, Brewer, & Liesch, 2018). Internationalisation is the process of gradually

increasing engagement with foreign markets (Johanson & Vahlne, 1977, 2009; Welch & Luostarinen, 1988). After a firm gains greater knowledge and experience, it will increase the level of commitment in foreign markets. International expansion is viewed as the result of developing relationships with foreign partners (Johanson & Vahlne, 2003, 2009) and deepening knowledge about opportunities in foreign markets (Johanson & Vahlne, 1977; Vahlne & Ivarsson, 2014). At the early stage of internationalisation, a firm still lacks knowledge, information, and experience, as well as familiarity with subsequent new market entries that bring risk and uncertainty. When a firm attempts to enter a new international market, it has to bear disadvantages as a new entrant (Zaheer, 2002). Risk and uncertainty become critical factors for SMEs in making internationalisation decisions due to a lack of information and knowledge about foreign institutions and markets (Liesch et al., 2011). Furthermore, SMEs often do not have vigorous networks in the foreign market (Ellis, 2011) to help overcome such disadvantages and to manage risk and uncertainty. The above discussion of the research background raises a meaningful need to explore the context for making internationalisation decisions.

### **1.3. Research Motivation**

This thesis is motivated by a number of limitations of the existing International Business literature (IB) and the needs of business managers undergoing the internationalisation process. This research aims to integrate entrepreneurship and the literatures of IB and Psychology to shed light on fear of failure as experienced by an individual decision-maker in the process of the internationalisation of a firm.

First, within the literature of International Business, the study advances an understanding of the micro-foundation of the internationalisation process by highlighting the role of the individual decision-maker. The IP Model (Johanson & Vahlne, 1977, 2009;

Vahlne & Johanson, 2017) is drawn from the fundamental theories in IB literature and has received a long history of scholarly attention. The newly amended IP Model (Vahlne & Johanson, 2017) admit the role of the individual decision-maker, but excludes it from their model. A majority of past internationalisation research until now has been focused on investigation at the firm-level (Clarke & Liesch, 2017; Liesch et al., 2011), which has given little focus to understanding the individual's role as decision-maker in the process of internationalisation. However, a number of scholars have argued the importance of adding the micro-level of analysis to the IP model (Coviello et al., 2017; Vahlne & Bhatti, 2018) to better understand the role of decision-makers (Coviello, 2015). The reason is that the individual's micro-level characteristics and their actions determine the firm-level internationalisation outcomes (Coviello et al., 2017). As a result, a limited number of studies have advanced the scholarly conversation on 'connecting people to internationalisation' (Clarke & Liesch, 2017; Coviello et al., 2017; Dow, Liesch, & Welch, 2018). This thesis aims at expanding this conversation to advance the understanding of the internationalisation process from the individual's perspective. By doing so, this thesis synergises IB and entrepreneurship literatures to explore the individual-level factors in the internationalisation process from a new perspective. The process of internationalisation (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017) and the process of entrepreneurship (Wood, McKelvie, & Haynie, 2014) share a similar logic of gaining a new market entry in conditions of risk and uncertainty (Johanson & Vahlne, 2009). For example, it is widely acknowledged that understanding the processes of the internationalisation of a firm requires insight into its inception points – international opportunity and the chance to conduct an exchange with new partners in new foreign markets (Ellis, 2011). The primary question in entrepreneurship research is "How, by whom, and with what consequence opportunities are discovered, evaluated,



and exploited” (S. Shane & Venkataraman, 2000, p. 218). In particular, Shane describes entrepreneurship as the nexus between individuals and opportunities (Shane, 2003). Entrepreneurship literature offers a richer understanding of individual-level factors. As such, there is a growing trend in applying entrepreneurship concepts to the study of internationalisation (Chandra, 2017a; Manolova, Brush, Edelman, & Greene, 2002; Reuber, Knight, Liesch, & Zhou, 2018). The integration of IB and entrepreneurship research offers a fertile foundation to explore the role of the individual SME owner and the internationalisation process of his/her firm.

Second, this research advances the scholarly conversation on ‘emotion and internationalisation’ in IB literature, an area initiated by few IB literature scholars to date (Meyer & Gelbuda, 2006; Van de Laar & De Neubourg, 2006). Given the fact that the role of emotion is inherent in an individual’s decision-making and is recognised as essential in the Psychology field (Clore & Huntsinger, 2007, 2009; Flam, 1990; Lerner & Keltner, 2000; Smith & Ellsworth, 1985) as well as in Entrepreneurship (Cardon, Foo, Shepherd, & Wiklund, 2012; Foo, 2011; Grichnik, Smeja, & Welpel, 2010; Li, 2011; Welpel, Spörrle, Grichnik, Michl, & Audretsch, 2012), this thesis argues that it is important to explore emotion in the context of making decisions in the international business environment due to the inseparability of emotion from an individual’s decision-making processes.

Third, this thesis gives particular attention to fear of failure among other emotional factors in the context of making internationalisation decisions. The reasons are as follows: (1) fear, as an emotion, arises from the cognitive appraisals of risk and uncertainty (Lerner & Keltner, 2000, 2001); (2) the internationalisation context can be perceived as an achievement context by a decision-maker (Atkinson 1957). Fear of failure

and hope of success are two critical achievement motivations (McClelland, 1965). Fear of failure, is a specific domain recognised widely in entrepreneurship literature (Cacciotti, Hayton, Mitchell, & Giazitzoglu, 2016; Hayton, Cacciotti, Giazitzoglu, Mitchell, & Ainge, 2013; Kollmann, Stöckmann, & Kensbock, 2017). It is defined as “temporary cognitive and emotional reaction towards environment stimuli that are apprehended as threats in achievements contexts” (Cacciotti & Hayton, 2015, p. 181). Fear of failure both inhibits and motivates entrepreneurial behaviours; positively, individuals may work harder to avoid failure and ultimately achieve success (Carsrud & Brännback, 2011; Hayton et al., 2013; Morgan & Sisak, 2016). Furthermore, fear of failure, viewed as an experience and an ongoing dynamic phenomenon: may inspire an individual, to demonstrate new thinking and even engage in new behaviour (Cacciotti et al., 2016). Although entrepreneurship literature offers solid evidence concerning fear of failure as a consistently changing experience, the findings in the entrepreneurship context have yet to extend to a new context (Cacciotti et al., 2016), such as internationalisation. It is important to explore a fear of failure in IB because the internationalisation environment becomes more complex and demanding when making decisions beyond the boundary of the domestic market. Empirical evidence indicates that the fear of failure affects the exporting behaviour of SMEs (Alon, Yeheskel, Lerner, & Zhang, 2013) in areas such as a decision to de-internationalise a firm (Lafuente, Stoian, & Rialp, 2015). Nevertheless, these two studies’ findings contradict each other. Lafuente et al. (2015) indicate that fear of failure is not a significant factor in export entry or export sustainability. This view differs from the findings by Alon et.al (2013). As such, how an SME owner experiences fear of failure, including both their emotion (feeling) and their cognition (thinking) in the context of making internationalisation decisions, is an under-explored area awaiting further research.

This research will also examine learning, an individual's behavioural response to the fear of failure experience, within an IB context. Learning is an imperative individual-level behaviour contributing to enhancing the capability of making entrepreneurship decisions (Corbett, 2007; Dimov, 2007; Rae, 2006). Learning is a core sub-process in the IP model (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017). Earlier entrepreneurship research has demonstrated the link between emotion and learning, in, for example, learning from failure (Cope, 2005, 2011), and entrepreneurs' attitudes towards failure (Politis & Gabrielsson, 2009). Cacciotti et al. (2016) highlight the social learning strategies to manage the fear of failure experience in entrepreneurship. Nonetheless, they also claimed that the "understanding of how people respond to the fear of failure experience and why people react differently is very limited" (p. 316). Managing fear of failure through learning is also promoted in the academic context. Hjeltnes, Binder, Moltu, and Dundas (2015) indicate that 'staying focused in a learning situation' and 'moving from fear to curiosity in academic learning' is beneficial to manage fear of failure. With this expectation, this thesis aims to uncover in greater detail an individual's behavioural response to the fear of failure experience and learning, in the context of making internationalisation decisions.

Significantly, this research is motivated to improve the methodological gaps in exploring the fear of failure. The existing entrepreneurship and IB studies rely on the Global Entrepreneurship Monitor inspired measure for the fear of failure as a single item: 'fear of failure would prevent me from exporting' (Alon et al., 2013; Anokhin & Abarca, 2011; Arenius & Minniti, 2005), leading to unreliable empirical findings. Other research

supporting the idea that fear of failure is an emotional state is more likely to apply a Psychology Measurement Scale to explore this concept, such as the PANAS-X scale (Watson & Clark, 1999) or the PFAI scale (Conroy, 2001). Nevertheless, other scholars criticise this application of such psychological measurements to the general environment as inappropriate to demonstrate the nature of the fear of failure factor as specific to the entrepreneurship environment (Cacciotti et al., 2016). This thesis adds a new and significant dimension to this area of study by adopting Interpretative Phenomenological Analysis (IPA) (Smith, Jarman, & Osborn, 1999; Smith, 1996, 2015; Smith & Osborn, 2004) to capture the dynamism of experiencing fear of failure in the context of making internationalisation decisions.

Finally, this thesis is also motivated by current managerial needs. For instance, the importance of exploring fear of failure in the business internationalisation context is notable in a public interview with Mr Wang Jianlin, Chairman of the Dalian Wanda Group, who is one of the wealthiest men in China as ranked by Forbes richest ranking 2017 (Flannery, 2017): *“I fear failure. I fear failure in the beginning stage of internationalisation in particular. We’ve already gained enough competence to internationalise. The more success I have achieved, the more fear of failure I feel”* (Appendix 1: the interview with Chinese talk show host Chen Luyu, 26 August 2016).

As this quotation confirms, the managerial implications of the internationalisation process for all business owners, including SME owners, are profound in relation to fear of failure and making behavioural change. Jack Ma, in his speech at the 2018 World Zheshang Shanghai Forum, called for Chinese business owners to change themselves first in response to the current globalisation. *“We always blame others for our business problem. It is a problem of competition, a problem of the market, a problem of macro-*

*control, and a problem of deleveraging. Everyone knows the truth, but in fact, entrepreneurs have to go back to themselves and think about themselves..... you don't adjust yourself, but blame others, and blame the United States. It's useless! You can't change Trump, and you can't even change your mom. You have to change yourself.”* (Appendix 1: Phoenix Info News Channel, Public media release, 3 January 2019).

In addressing this problem, this research explores the individual SME owner's experience of fear of failure in the internationalisation process, and their behavioural response to managing the fear of failure that arises from making this change. The research is significant in that it focuses on addressing the limitations of the existing literature and in contributing to serving the current managerial needs of those SME owners going through the internationalisation process.

#### **1.4. Research Objectives and Research Questions**

The broad research problem of this thesis: *'how do SME owners responsible for internationalisation decisions experience fear of failure in the process of the internationalisation of a firm?'* The primary objective of the research is to explore and conceptualise the experience of fear of failure in the context of making internationalisation decisions. This thesis has the following research objectives to guide the research exploration and to find answers for the research problem:

- To improve consideration of emotion as an individual experience in the process of the internationalisation of a firm.
- To explore SME owners' fear of failure experience in the context of making internationalisation decisions.
- To explore SME owners' learning behaviour when experiencing fear of failure, in the context of making internationalisation decisions.

- To develop a theoretical framework explaining SME owners' experience of fear of failure and their learning behaviour response to that experience in the context of making internationalisation decisions.
- To contribute to the theoretical understanding of fear of failure in international business literature.
- To develop the managerial implications for SME owners in understanding their fear of failure experience in the context of making internationalisation decisions.
- To establish the managerial implications of learning and fear of failure for SME owners, policy-makers and international business educators.
- To propose future research directions to further explore the process of internationalisation of a firm by adding 'emotion as experienced' as a research domain.

The practical needs and conceptual integration of diverse bodies of literature provide the foundation for developing two research questions:

**Research Question 1:** *How do SME owners experience emotional and cognitive aspects of fear of failure in the context of making internationalisation decisions for their firms?*

**Research Question 2:** *How do SME owners learn when experiencing fear of failure in the context of making internationalisation decisions for their firms?*

In addressing these two research questions, this thesis aims to enrich the theoretical and practical understanding of the decision-maker's fear of failure in the process of internationalisation of a firm. The following section introduces the research design to achieve these aims.

## **1.5. Research Method**

This section justifies the selection of the research methodology, including the research paradigm and the investigation method. It clarifies the research design and fieldwork strategy. Finally, it discusses the ethical considerations.

### **1.5.1. Research Paradigm**

A good research study is determined by a suitable match between the research question and the chosen methodological approach. There are two major methodological approaches: quantitative and qualitative. Quantitative research is entrenched in positivism or post-positivism, relying on statistically testing predetermined variables and constructs (Newman, Benz, & Ridenour, 1998). On the contrary, qualitative methodology is concerned with the quality of experience rather than causal relationships (Denzin & Lincoln, 1994). Qualitative research entails the process of describing, interpreting and explaining phenomena (Maxwell, 1992). Table 1-1 demonstrates a summary of the comparison between Qualitative research and Quantitative research according to (Neuman, 2013).

**Table 1-1 Comparison between Qualitative Research and Quantitative Research**

	<b>Qualitative research</b>	<b>Quantitative Research</b>
Research Paradigms	Interpretivism - a valid understanding from the process of describing, interpreting and explaining phenomena.	Positivism or post-positivism - to test predetermined variables and constructs about statically generation.
Research Belief	The world is socially constructed and subjective. The world can be understood or comprehended via individual experience.	The world is external and objective. A hypothesis can be tested and verified by measuring variables.
Research Objective	To explore unknown truths rather than testing existing theories. It seeks the exploration of information from subjective constructs within a social context.	To look for causality and fundamental laws. To verify or falsify a relationship or a proposed hypothesis.
Nature of Research Data	Soft data (i.e. words, sentences and pictures) and small samples investigate in-depth over time.	Hard data (i.e. statistics numbers) and large samples.

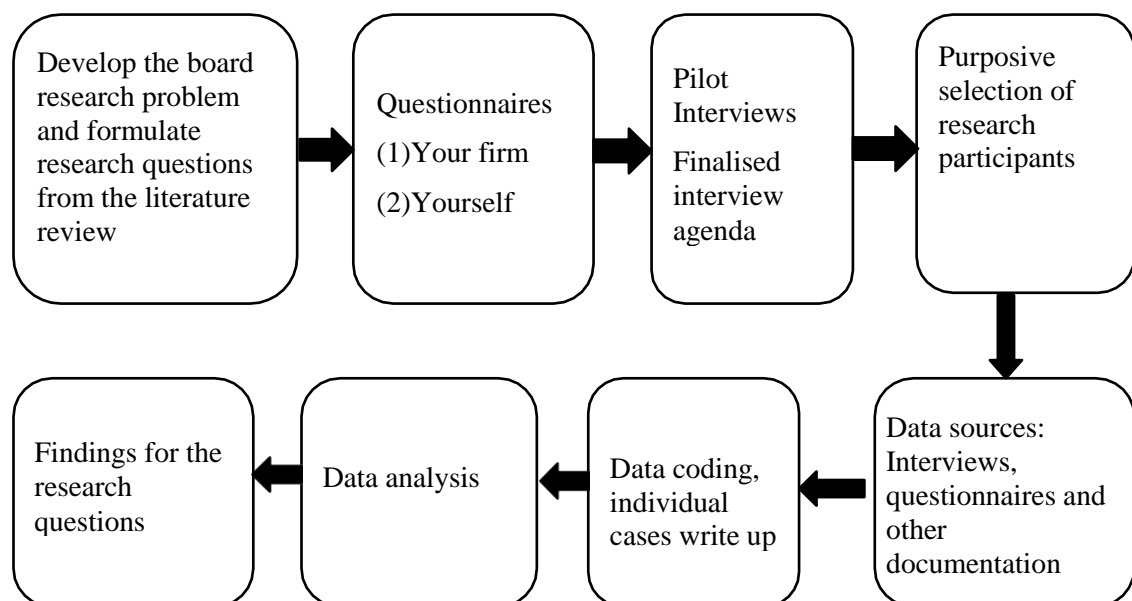
Phenomenology is a branch of social constructionism that informs qualitative research (Conklin, 2007; Sokolowski, 2000). As a research paradigm, phenomenology is used for exploration using subjective constructs within a social context, such as feelings and attitudes (Miles & Huberman, 1994). Phenomenology insists on exploring human experiences and action to understand the world (Sokolowski, 2000). Qualitative research explores under-explained complex phenomena with interactions between constructs to answer the ‘*How?*’ research questions.



The research design depends on the nature of research questions (Silverman, 2013). Qualitative methodology is coherent with the inductive and exploratory course of this thesis (Davidsson, 2005; Yin, 2009). It aims to understand an individual SME owner and his/her experiences of the fear of failure in the context of internationalisation. The study of the fear of failure experiences lends itself to qualitative exploration because of its emphasis on the quality of personal involvement (Kenderdine & Keys, 1974). Hence, the best way to answer the research questions proposed in this thesis is to examine human action through understanding the actor's subjective experiences. Additionally, the choice of the qualitative methodology in this thesis is in line with the recent approaches to study fear of failure experience (Cacciotti et al., 2016) and small firm internationalisation (Lamb, Sandberg, & Liesch, 2011). Due to the exploratory nature of the research questions in this thesis and its research aim, this study employs a qualitative approach.

Figure 1-1 illustrates the research design process:

**Figure 1-1 the Design of the Research Process in the Thesis**



### 1.5.2. IPA Method and Selection of Research Participants

This research draws on the principles of Interpretative Phenomenological Analysis (IPA) (Smith et al., 1999; Smith, 1996, 2015; Smith & Osborn, 2004) to inform both research design and analysis. IPA is gaining growing popularity in Psychology Health (Brocki & Wearden, 2006), and Entrepreneurship research (Berglund, 2007; Cope, 2011). Drawing upon Phenomenology, IPA focuses on examining how individuals make meaning of their life experiences (Pietkiewicz & Smith, 2014). Although IPA has not yet been well-applied to international business, this study employs IPA to investigate the research questions because of its exploratory nature and its focus on understanding the actions of research participants through their subjective descriptions. This study is focused on individual complex behavioural responses to cognitive and affective experiences, related to fear of failure.

A purposive snowball sampling technique (Biernacki & Waldorf, 1981; Cochran, 2007) was used to identify potential participants to ensure that thick and rich data was obtained. The aim was to collect such data by engaging with individuals who could provide thick description of the investigated phenomenon. This study adopts an individual SME owner as the level of analysis and uses data collected in China. Generally, SMEs are defined differently in the legislation across countries, as the “small” and “medium” size of a firm are relative to the size of the domestic economy. For instance, the OECD (The Organisation for Economic Co-operation and Development) refers to SMEs as firms employing up to 249 persons, small (10 to 49) and medium (50-249) (OECD, 2017b). The definition of an SME in China is more complicated. The criteria for determining an SME in China includes the number of employees, volume of sale and total assets (The National People's Congress of the People's Republic of China, 2017). As this research focuses on exporting by SMEs in China, this thesis summaries a number of

examples of SME regulations in Table 1-2. This research focuses on participating SMEs in China with less than 200 employees. The purpose is to provide for the best comparability given the varying data collection practices across different industry sectors, both in line with the OECD regulation and consideration of SMEs in China.

**Table 1-2 Examples of SMEs in China**

Size Category	Industries	Employment	Total assets (¥ million)	Business revenue (¥ million)
Small	Industry	< 300	< 40	< 30
	Construction	< 600	< 40	< 30
	Wholesale	<100	N/A	< 30
	Retail	<100	N/A	< 10
Medium	Industry	300- 2000	40 - 400	30 - 300
	Construction	600-3000	40-400	30 - 300
	Wholesale	100-200	N/A	30 - 300
	Retail	100-500	N/A	10 - 150

(According to the SME promotion law of China, 2017)

### 1.5.3. Fieldwork Strategy

This study conducted data collection in China in 2016-17. The data collection protocol for the study included two close-ended questionnaires and an interview guide (Appendix 2). In order to avoid misinterpretation, all the documents were translated and back-translated by a third party for accuracy.

The researcher used personal contacts to identify research participants and approach them through email. First, information about these proposed research activities (letter of introduction and participant information sheet, see Appendix 3) was sent to the known business owners, acting as an intermediary. This third party passed these

documents to potential research participants who were believed to meet the selection criteria. Participants were asked to contact the researcher if they agreed to participate in this study to organise a time for the interview. Second, after the researcher received the expression of interest from the participants, a Consent Form was e-mailed to them. When the participant and the researcher met face to face, the researcher explained the study to check the participant's understanding. The researcher then collected data through interviews and questionnaires. The average duration of each interview is approximately 1 hour and 20 minutes. Due to the geographic distance between the researcher (Australia) and the study participants (China), all follow-up was conducted via WeChat message, email or phone. All interviews were audio recorded for transcription and translation purpose. The researcher obtained consent to audio record participants prior to the interviews being conducted. Each participant's story and the information about their firm and its internationalisation activities were documented as a case (Appendix 5).

The findings aim at offering a phenomenological or a first-person's subjective description of their emotional and cognitive experiences as well as behaviour responses. This research employs an interpretative inquiry to analyse the qualitative data. Interpretation of the qualitative data focuses on exploring the meaning attributed to the phenomena, such as how an individual makes sense of the world, and how they experience events (Silverman, 2015). The detailed data analysis process, coding and the development of data structure, are presented in two empirical papers in Chapter 3 and Chapter 4.

#### **1.5.4. Ethical Considerations**

When conducting social research with human participants, the research needs to implement ethical considerations (King & Horrocks, 2010). This study was approved by

the University of Adelaide Human Research Ethics Committee in September 2016. The ethics approval number is H-2016-204 (Appendix 4). The researcher informed all participants about the purpose of this research project and the objective of the study via the information sheet (Appendix 3). All participants were well-informed that their data was collected and used for the researcher's PhD thesis. Both the researcher and the participant had signed the consent form. Interview participation was voluntary. Participants could withdraw at any stage of the research project for any reason.

The following ethical considerations have been implemented to protect personal information and to ensure the privacy, confidentiality and anonymity of the research participants:

- All materials were coded to disguise the participants' names. All participants were given a coded name to disguise their identity, and the re-identifiable information was stored in a secure location. Participants' names and their company names were not used during the interview or the reporting of research results to ensure confidentiality during the transcription process. All personal information was accessed by the researcher and the researcher's supervisor. Therefore, their privacy was not revealed in any publicly available documents
- The questionnaires and interview guide did not solicit any sensitive business-related or personal information to eliminate any possibility of harm to participants and their business ventures;
- Data was stored securely in electronic format with all files password protected;
- The copy of the interview and other materials collected about participants were made available to them to check for sensitive information.

- Research results were made available to participants to check for any sensitive information before publication.

## 1.6. The Context of the Thesis

This thesis chooses China as its context to proceed with the empirical investigation to the following reasons. First, China provides a favourable economic context to explore SMEs' internationalisation activities. Although exporting is embraced by Chinese SMEs, the downtrend in exporting phenomena is distinct in China. Exports as % of Gross Domestic Product (GDP) in China has declined from 26.5% (2011) to 19.8% (2017) (The World Bank, 2019b).

Chinese SMEs are facing internal and external political challenges to achieving global growth. The 'One Belt, One Road' initiative (OBOR) is China's economic vision of the opening-up to, and cooperation among, other countries, which encourages Chinese enterprises to serve globalisation in particular among overseas markets (the National Development and Reform Commission Ministry of Foreign Affairs, 2015). The People's Republic of China's prioritises the OBOR (Policy, 2019), as a foreign policy and as an economic strategy, to develop new economic corridors and to promote China's connections with Asia, Europe and Africa (Parliament of Australia, 2019).

China's economy continues to perform strongly. China's government firmly supports free trade and multilateral business. Nevertheless, China has encountered adversities associated with the globalisation phenomenon, including increasing unemployment, unequal income and regional imbalance (The International Monetary Fund, 2018). Externally, the trade tensions between China and the Trump administration are escalating, posing risks to global growth and internationalisation opportunities for Chinese SMEs. The International Monetary Fund (2019) suggests that "*Now is the time*

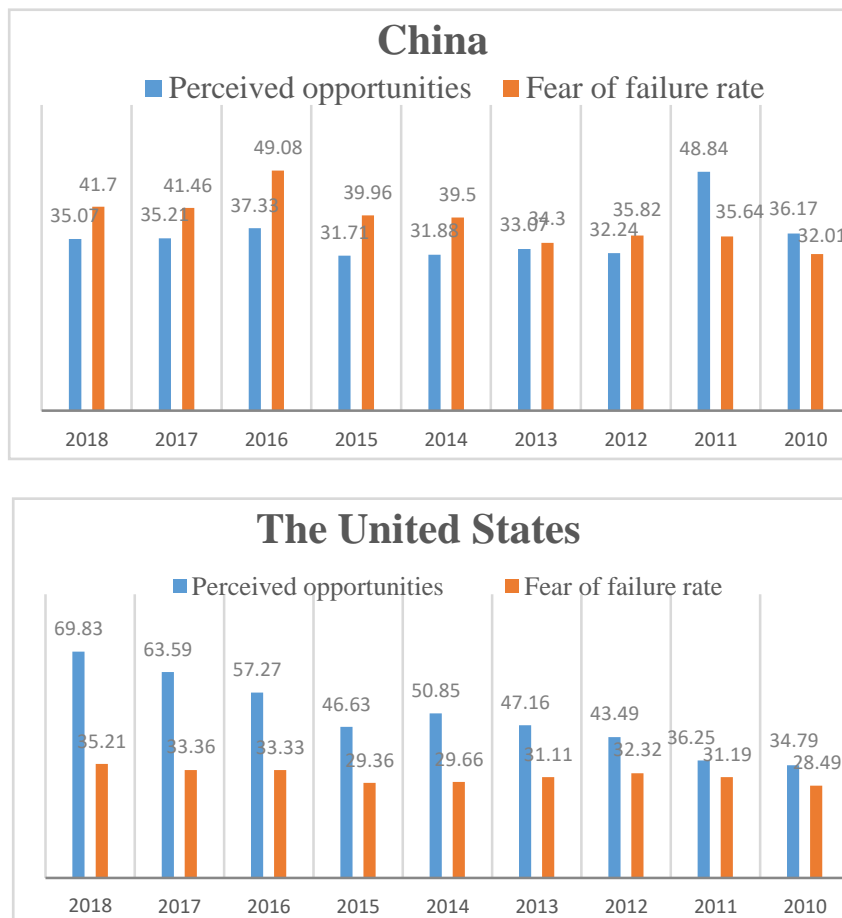
*to reduce trade tension and prepare for the possibility of future downturns*". As such, the current downward pressure on exporting, along with political complexities, offer a fertile background to explore Chinese SMEs' internationalisation.

Second, SME owners in China are at a disadvantage compared to their counterparts in advanced Western economies. They lack internationalisation experience and networks due to historical reasons. Private business in China regained its legitimacy in 1978 along with Chairman Deng Xiaoping's establishment of 'China's policy of opening up to foreign business that wanted to invest in the country' policy and China's social and economic reform (Li, Meng, & Zhang, 2006), thus affecting the scale of integration of Chinese firms into international value chains. Furthermore, SMEs in China lack home country institutional support with international business mainly the domain of large trading corporations (Gao, Ballantyne, & Knight, 2010; MacBean, 1996), that possess key networks across borders (Ellis, 2011). Meanwhile, Chinese SMEs operate business in a less open environment, and they are more reliant on their home-based social networks. However, these home-based networks may not provide SME owners with sufficient information and knowledge to capture market opportunities abroad (Zhou, Wu, & Luo, 2007). As such, Ellis (2011) suggests that China's SME owners are still at a learning stage about internationalisation activities. They need to improve their knowledge and capabilities necessary for expanding business into international markets (Liu, Xiao, & Huang, 2008).

Finally, and more importantly, China's institutional environment provides a fruitful context for the empirical exploration of this research because the fear of failure rate accounts for a critical component along with the perceived opportunities in the domestic market (China and the United States) (Figure 1-2) (GEM, 2019). By

comparison, the perceived opportunity rate is higher than the fear of failure rate in China while the situation in the United States is the opposite. In general, the fear of failure rate from 2010 to 2018 in China is higher than that in the United States (Figure 1-2).

**Figure 1-2 Global Entrepreneurship Monitor (China and the United States): Fear of failure rate and perceived opportunities 2010-2018**



Based on the above, China provides a favourable context to empirically explore how SME owners experience fear of failure in the process of the internationalisation of their firms.



## 1.7. Thesis Structure

This thesis follows a PhD by papers format documented by way of incorporating three related but self-contained papers. Each paper is written in a journal article format. Therefore, this thesis is organised into five chapters.

Chapter 1 introduces the background of the study and the research problem. It offers the research motivation and research questions and outlines methodology and the empirical exploration context.

Chapter 2 contains a conceptual paper, Paper 1. It forms the conceptual foundation according to the critical and extensive literature review aligned with the broad research problem *'How do SME owners, responsible for internationalisation decisions, experience fear of failure in the process of the internationalisation of a firm?'* The conceptualisation is developed from the literature review on the internationalisation process and its micro-foundation, emotion and decision-making, and fear of failure. This paper integrates the critical literature from International Business, Entrepreneurship and Psychology, identifying the gaps and pinpointing the direction for the empirical investigation in Chapter 3 and Chapter 4.

Chapter 3 contains the empirical paper A, Paper 2. It explores Research Question 1, focusing on the emotional and cognitive aspects of fear of failure in the context of making internationalisation decisions. It presents its findings on the fear of failure experience as an integral part of the internationalisation process. It contributes to extending the IP Model by infusing an individual decision-maker's emotion and cognition when experiencing fear of failure, including environmental stimuli of risk and uncertainty, emotional expression of fear of failure, and sources of fear of failure into the

state and the change variables interplay of the IP model. This paper aims to assist SME owners in understanding the fear of failure experience and its managerial implications.

Chapter 4 contains the empirical paper B, Paper 3. It addresses Research Question 2, focusing on learning, the behavioural responses to the fear of failure experience in the context of making internationalisation decisions. It presents findings on fear of failure as a learning trigger. Learning is a back and forth process contributing to pacifying the fear of failure emotions and developing knowledge. Regarding learning outcomes, the individual SME owners gain hope of success to enhance their motivation as an emotional change, as well as the ability to develop risk and uncertainty management strategies to increase clarity of thinking as a cognitive change. A learning guide to managing fear of failure is provided to SME owners and educators as managerial contributions.

Chapter 5 summarises the research focus of this thesis, together with research findings and contributions. Through revisiting the research findings of three papers, it integrates overall theoretical contributions and implications for theory and business practice. This chapter also discusses the limitations of the present study and offers future research directions.

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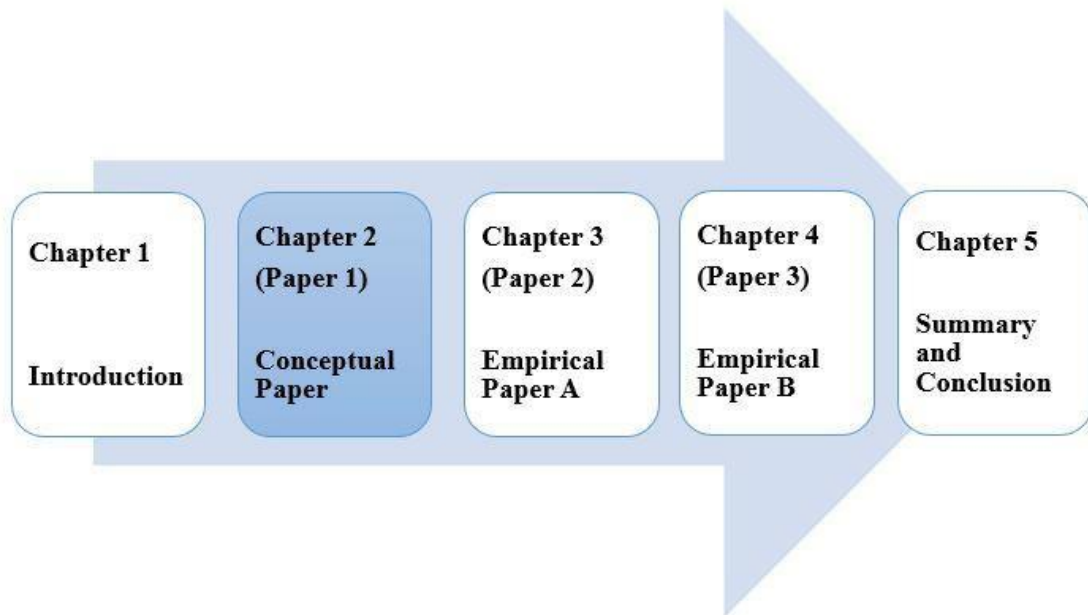
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## 2. Chapter Fear of Failure in the Process of Internationalisation of a Firm (Paper 1)



### **Conference Presentation:**

- This paper was accepted and presented at the Australia and New Zealand International Business Academy (ANZIBA) Conference at the University of Queensland in Brisbane, Australia, 2<sup>nd</sup> February, 2018.
- This paper was accepted as an interactive paper and presented at the Academy of International Business (AIB) Conference in Minneapolis, the USA, 25<sup>th</sup> June 2018.

### **Paper Development Workshop (PDW)**

- The original manuscript (sole-author) was developed at European Union workshop, the Australian National University, 2015.
- The original manuscript (sole-author) was developed at the Paper Development Workshop (PDW) of the European Union Studies Association Asia Pacific (EUSAAP) at Aoyama Gakuin University in Tokyo, Japan, 2<sup>nd</sup> July 2017.

## Statement of Authorship

Title of Paper	Fear of Failure in the Process of Internationalisation of a Firm
Publication Status	<input type="checkbox"/> Published <input type="checkbox"/> Accepted for Publication <input type="checkbox"/> Submitted for Publication <input checked="" type="checkbox"/> Unpublished and Unsubmitted work written in manuscript style
Publication Details	

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Name of Principal Author (Candidate)	KECHEN DONG		
Contribution to the Paper	<p>The author is fully in charge of the conceptualisation of the whole research project, such as establishing the research proposal and re-developing the topic via the feedback from CCSP and the major review.</p> <p>In this paper, the author finalized research topic and research questions, perform literature review, and the research conceptualisation, wrote the whole Manuscript.</p> <p>The author acts as the first author (sole-author/corresponding author) for conference submission, presentation and revising the paper according to the conference feedback.</p> <p>The author consulted visiting scholars and other researchers for feedback.</p> <p>The author engaged with Industry to triangulate the research topic: 3 years voluntarily assist the Department of State Development (with volunteer certificate as evidence support). The industry engagement in turn offers feedback on the following key concepts in this paper: International business, decision-making, opportunity evaluation and identification.</p>		
Overall percentage (%)	100%		
Certification:	This paper reports on original research I conducted during the period of my Higher Degree by Research candidature and is not subject to any obligations or contractual agreements with a third party that would constrain its inclusion in this thesis. I am the primary author of this paper.		
Signature		Date	11/04/2019

## Paper 1: Fear of Failure in the Process of Internationalisation of a Firm

### Abstract

Fear of failure as experienced by a decision maker is frequently a significant factor in the process of the internationalisation of a firm where a business environment is shaped by risk, uncertainty and the possibility of failure. The *Uppsala model of the Internationalisation Process* (IP model), one of the most influential theories in international business, highlights the entrepreneurial nature of the internationalisation process and draws parallels between entering international markets and a new venture start up. However, the process of internationalisation, as opposed to entrepreneurship research, treats an individual decision-maker as a ‘black box’. Emotions are individual-level factors extensively discussed in entrepreneurship literature, which are largely ignored by international business researchers. Fear of failure receives particular attention because it influences motivation, risk perception and opportunity, related perceptions and behaviour input. This study offers conceptual thoughts on the role of fear of failure in the process of internationalisation of a small and medium-sized firm (SMEs). It argues that the individual experiences of this emotion in the context of making internationalisation decisions for a firm is an area of study requiring further understanding, with implications for both theory and practice and offers directions for future studies. As a contribution, this paper joins the scholarly conversations on ‘connecting the IP model to people’ and ‘emotion and internationalisation’ by focusing on fear of failure, as a new perspective.

**Key Words:** fear of failure, decision-making, internationalisation process of a firm

## 1. Introduction

Globalisation of the world economy has created international opportunities for SMEs. Internationalisation is instrumental to a firm's survival and growth along with the potential for a positive effect on economic development (The World Bank, 2019a). While internationalisation may contribute to the improved performance of a firm (Lu & Beamish, 2006), a firm's internationalisation activities comprise both progress and setbacks (Clarke & Liesch, 2017; Kriz & Welch, 2018), in particular facing frequently occurring challenges or failure in international markets (Alexander & Korine, 2008).

The role of decision-makers is critical to the firm's internationalisation activities, because their decisions determine the subsequent choice of foreign markets and the degree of internationalisation (Lu & Beamish, 2001). Individual level-factors relevant to the business owner/decision maker in internationalisation are argued to be important, including personal attributes and skills (Manolova et al., 2002), risk perception (Clarke & Liesch, 2017; Figueira-de-Lemos, Johanson, & Vahlne, 2011), the perception of the environment (Cavusgil, 1984) and tolerance of ambiguity (Acedo & Jones, 2007). Psychology literature emphasises the importance of emotion regarding its impact on decision-making (Clore & Huntsinger, 2007, 2009; Damasio, 1994). However, the topic of emotion remains under-researched in international business (IB) literature (Meyer & Gelbuda, 2006; Van de Laar & De Neubourg, 2006). The emerging empirical studies reveal that fear of failure, a particular emotion, has impacts on the exporting behaviour of SMEs (Alon et al., 2013) as well as de-internationalisation decisions (Lafuente et al., 2015). While the exploration of fear of failure in IB literature is still scant, this topic receives great interest from entrepreneurship scholars. For instance, fear of failure is one of the antecedents to decision-making (Shepherd, Williams, & Patzelt, 2015) with

subsequent effect on influencing entrepreneurs' actions throughout the entrepreneurship process (Cacciotti et al., 2016; Ucbasaran, Westhead, & Wright, 2009).

The *Process of Internationalisation* (also called *the Uppsala Model* or *IP model*) (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017), highlights the required entrepreneurial nature and draws multiple parallels between entering international markets and a new venture start up. However, as opposed to entrepreneurship research which grounded at individual-level, the IP Model treats the role of an individual decision-maker as a 'black box' (Vahlne & Johanson, 2017, p. 1089). This study aims at joining a conversation about 'connecting the internationalisation process to people' to enhance our understanding of the individual decision-maker at the micro-level of the internationalisation process of a firm (Coviello et al., 2017). To do so, this paper proposes fear of failure, an individual-level factor, is likely to influence firm-level outcomes. This paper argues the need to explore the individual decision-maker's emotions, cognition and actions when experiencing fear of failure in the context of the internationalisation of a firm. Underlying the existing studies which illustrate the link is clear between fear of failure and noticing business opportunities (Anokhin & Abarca, 2011; Li, 2011), motivation (McClelland & Watson Jr, 1973; Morgan & Sisak, 2016), risk perception (Arenius & Minniti, 2005) and taking action to exploit opportunities (Choi & Shepherd, 2004; Hmieleski & Baron, 2009; Westhead, 2008).

The core aim of this paper is to recognise fear of failure as an important factor for the individual decision-makers in the process of the internationalisation of a firm (IP model) (Vahlne & Johanson, 2017). As such, this paper is structured into two lines of argument. The first line includes a literature review on internationalisation, following a

discussion on its micro-foundations. This part identifies individual-level factors driving the internationalisation of a firm. The second line of argument discusses fear of failure drawn from psychological and entrepreneurship literature, offering a deepened understanding of why this particular emotion matters within the context of making internationalisation decisions. Thereafter, it concludes with a summary of the contributions of the study and offers directions for future research.

## **2. Review the Uppsala Model of internationalisation**

Internationalisation is regarded as the process of a firm's gradual increasing engagement in foreign markets (Johanson & Vahlne, 1977, 2009; Vahlne & Ivarsson, 2014; Welch & Luostarinen, 1988). The *process of Internationalisation* (IP Model) provides fundamental insights into the internationalisation behaviour of the firm. The IP model is widely cited in the IB scholarship. The authors of the IP model have revised their work frequently to cater to the changing globalisation phenomenon and the advancement in IB literature. First, this paper summaries the evolution of the IP models in Table 2-1. It locates and contextualises this theory, summarising how and why it develops and updates the earlier versions. This study offers a comparison of their representative models in the following discussion: the original IP model (Johanson & Vahlne, 1977); the current widely-recognised IP model (Johanson & Vahlne, 2009) and the newest IP model (Vahlne & Johanson, 2017). It then focuses the discussion on the latest version of the IP model (Vahlne & Johanson, 2017) and on how other scholars contribute to extending the IP model.

**Table 2-1 Evolution of the IP Models**

<b>Uppsala Literature</b>	<b>Focus</b>	<b>Factors in State Aspect</b>	<b>Factors in Change Aspect</b>	<b>Key Findings to explain the state and change mechanism</b>
<b>Johanson and Vahlne (1977) (original model)</b>	Learning	Market knowledge; market commitment	Commitment decisions; Current activities	<ul style="list-style-type: none"> <li>• Internationalisation is viewed as a dynamic learning process.</li> <li>• Firms learn international market knowledge about entering a foreign market.</li> <li>• Incremental decisions enhance the scope of internationalisation.</li> </ul>
<b>Johanson and Vahlne (2003)</b>	Network	Market knowledge; market commitment	Commitment decisions; Current activities	<ul style="list-style-type: none"> <li>• Add network relationship development in internationalisation.</li> <li>• Firms learn knowledge in their relationships. Learning contributes to increasing firms' commitment to international markets.</li> </ul>
<b>Johanson and Vahlne (2009) (widely-recognised IP model)</b>	Network	Knowledge opportunities; Network position	Relationship commitment decisions: Learning, creating, trust-building	<ul style="list-style-type: none"> <li>• International business environment is viewed as a 'web of relationships'. Firms develop new knowledge from relationships.</li> <li>• With a firm's increasing involvement in internationalisation, it will build more overseas networks and learn more about the international environment.</li> <li>• With the accumulation of experiential knowledge, market commitment and trust, it allows a firm to overcome the uncertainty, risk and a lack of opportunity awareness that constrains their internationalisation activities</li> </ul>

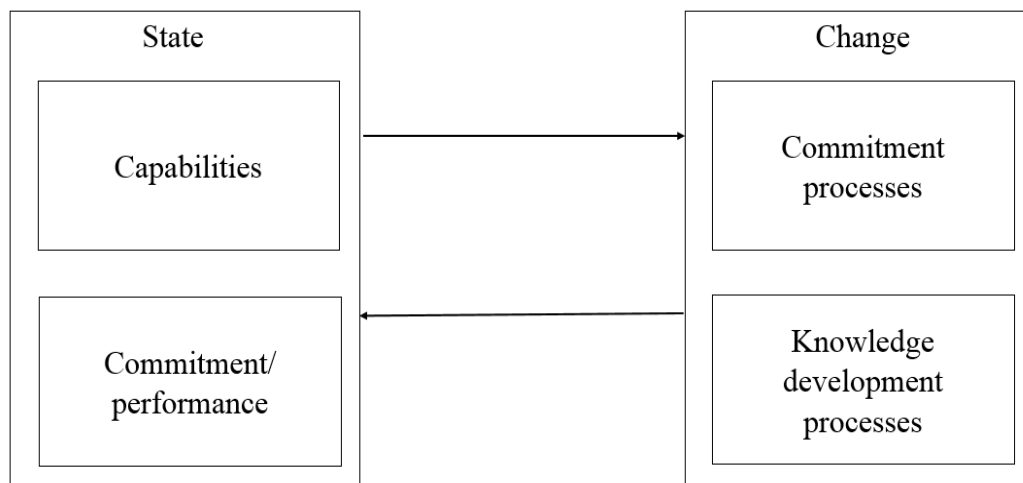
<b>Vahlne, Schweizer, and Johanson (2012)</b>	Network	Knowledge, Opportunities, Entrepreneurial capabilities; Network (external and internal)	Relationship commitment decisions:  Learning, creating, trust-building	<ul style="list-style-type: none"> <li>• The internationalisation is conceptualised for the global firm and hierarchically acting headquarters (HQ).</li> <li>• Uncertainty is highlighted in the HQ management in the global firm, due to a liability of outsidership.</li> <li>• Networks include external and internal partners (subsidiaries). Two parties can influence each other's decision.</li> <li>• Learning is not sufficient because HQs have difficulty in informing the subsidiary directly.</li> </ul>
<b>Vahlne and Johanson (2013)</b>	Network	Dynamic capabilities, Operational capabilities; Network position	Commitment decisions (Reconfiguration, Change of coordination); Inter-organisational processes (Learning Creating Trust-building)	<ul style="list-style-type: none"> <li>• The internationalisation is underpinned for emerging new phenomenon: the multinational enterprise (MNE) and foreign direct investment (FDI).</li> <li>• Firms can improve organisation capability by enhancing capabilities including opportunity development, internationalisation, and networking.</li> <li>• Firms can strengthen the network position by improving the inter-organisational and the intra-organisational network position, and network power.</li> <li>• Commitment decisions can be expressed by volume and degree of restraint in re-allocating the resources. They are regarded as reconfiguration and change of coordination.</li> </ul>
<b>Vahlne and Ivarsson (2014)</b>	Globalisation	Capabilities; Commitment/performance	Commitment decisions; Organisational processes (Learning Creating Trust-building)	<ul style="list-style-type: none"> <li>• The IP model is underpinned for the globalisation phenomenon by Multinational Enterprise (MNE).</li> <li>• Add technology development capability and globalisation-capability to can improve the organisation capability</li> <li>• Firms can improve performance with the degree of globalisation, including geographical configuration and coordination.</li> </ul>



<p><b>Vahlne and Johanson (2017)</b>  <b>(the newest IP model)</b></p>	<p>Globalisation</p>	<p>Capabilities; Commitment/ performance</p>	<p>Commitment processes; knowledge development processes</p>	<ul style="list-style-type: none"> <li>• Internationalisation is updated by considering modern firms, multinational business enterprise (MBE).</li> <li>• A decision to reconfigure resources influences the firm's capabilities, resource and its network partner, and subsequently performance in international markets.</li> <li>• A changed capability and resource will further influence knowledge development process, decision-making and resource allocation.</li> </ul>
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All of the IP models in different literature (Table 1), share the same mechanism underlying the theory: the relationship between ‘state and change’ (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017). They explain that internationalisation is a constantly ongoing process where the ‘state’ aspect and the ‘change’ aspect interact with each other (Figure 1). The ‘change’ aspect of the IP model concerns the firm’s behaviours in the form of the firm’s degree of commitment. The variables from the ‘change’ aspect are essential elements where the action takes place.

**Figure 2-1 the IP Model (Johanson & Vahlne 2017)**



Vahlne and Johanson (2017) develop the newest IP model (Figure 1) as motivated by the globalisation phenomena underpinning risk, uncertainty and partial ignorance by today’s managers. There are two starting points for the change aspect: one is the decision processes related to committing; the other one is the continuous knowledge development processes. The commitment decisions are defined as the product of the size of the investment, and its degree of inflexibility” (Johanson & Vahlne, 2009, p. 1412). Managers make the decisions related to firm’s commitment to internationalisation, and

they need to draw on experience and knowledge of opportunities to proceed the commitment decision. It should be noted that here are sub-processes under the knowledge development processes and commitment processes from 2017 IP model (Vahlne & Johanson, 2017). For example, learning, creating and trust-building are changing variables, representing sub-processes inside the knowledge development process. These factors are occurring continuously, and affecting each other. In turn, they will change the state aspect of the IP model, including the firm's capabilities and resource commitment. In the meantime, the changed resource commitment may be reflected as a reduced commitment, comparable to leaving a market, reducing diversification or discontinuing a relationship. As a result, a changed capability and performance will make differences to further knowledge development, decision making or resource allocation.

The newest IP model is an advancement on the original model (1977) as well as the later well recognised model (2009). The original IP model (1977) focuses on learning: the psychic distance constrains firm's learning and the incremental commitment to the internationalisation. Psychic distance means 'the sum of factors preventing the flow of information to and from the market' (Johanson & Vahlne, 1977, p. 24). The commitment decisions are based on different knowledge (Johanson & Vahlne, 1977), and knowledge is conclusive to a firm's growth (Penrose, 1995). Unfortunately, human beings suffer from constraints on information processing capacity (Cyert & March, 1963). Furthermore, the most cited IP model (Johanson & Vahlne, 2009) focuses on relationship. Internationalisation often occurs when the firm may still lack the knowledge, information, experience of foreign institutions and markets, and reliable networks. The internationalisation of a firm starts with international opportunity- 'the chance to conduct an exchange with new partners in new foreign markets' (Ellis, 2011). Firms need networks

to access information and knowledge of risk and uncertainty concerning the opportunities in foreign market (Ellis, 2011). However, firms suffer the liabilities of foreignness and of outsider status, especially at the early stages of the internationalisation process. The liability of foreignness (Denk, Kaufmann, & Roesch, 2012) leads to the additional tacit and social costs that foreign firms face when entering a particular host market, costs not incurred by well-embedded indigenous companies (Zaheer, 2002). The liability of outsider status is an outcome of the absence of a relevant network position inside the market (Johanson & Vahlne, 2009). As such, lack of a network is identical in constraining a firm's commitment to internationalisation.

Although each version of the IP model has a different focus: learning (Johanson & Vahlne, 1977), relationship (Johanson & Vahlne, 2009) and globalisation (Vahlne & Johanson, 2017), the common points relate to shedding light on risk and uncertainty of the operational context for the firm's internationalisation (Liesch et al., 2011). In IB literature, Liesch et al. (2011) suggest that risk refers to the possible action outcome, especially the possible losses, while uncertainty focuses on an individual's confidence in meeting their estimates or expectations. Risk, in the context of the internationalisation process, is defined as "the extent to which firms may lack knowledge about whether potentially significant and or disappointing outcomes of its decisions will be realised" (Clarke & Liesch, 2017, p. 927). This study supports the above understanding of risk and uncertainty which highlights their relevance to decision-making. In particular, it implies that risk in internationalisation relates to the decision-maker's expectation and emotional attachment, which are reflected in their description of 'disappointing outcomes of decisions' (Clarke & Liesch, 2017, p. 927). But these definitions are complicated. Due to the fact that the boundaries of risk and uncertainty are wide-ranging, such definitions of

risk and uncertainty are not unified in different research fields such as Entrepreneurship and Psychology. Therefore, this paper relies on to the Oxford English Dictionary's definitions on the concept of risk: "a situation involving exposure to danger" (Oxford, 2019a); and the concept of uncertainty: "the state of being uncertain, can be referring to something that is uncertain or that causes one to feel uncertain" (Oxford, 2019b). By comparison to other applications, the definitions of risk and uncertainty in the Oxford dictionary is more explicit and easy to comprehend.

### **3. Making Extensions to the Uppsala Model**

There are four important levels of analysis required to empirically research internationalisation phenomena: the role of the individual manager, the firm level, the industry level and of the environment level (Buckley & Lessard, 2005). In most IB studies, research focusing on firm-level studies make it difficult to understand the role of individuals in the context of making internationalisation decisions. The IP model (2017) considered the role of the individual as a core micro-foundation of the internationalisation process (Vahlne & Johanson, 2017). It clarified the level of research as based on the IP model operating at the micro-level, the level of each firm. The changes at the micro-level (firm-level activities) result from the mille-micro level (the level of individuals or subgroups within the organisation). Indeed, their work includes the mille-micro level assumptions, but does not reflect the role of individuals in their descriptions of a firms' internationalisation process (Vahlne & Johanson, 2017, p. 1089). By doing so, the concept of evolution is the sum of changes happening to people (the mille-micro level), but aggregated to the level of the firm. In summary, the key point here is that it is the individual's change in their actions (at the mille-micro level) is driving the firm's internationalisation activity (at the micro-level).

The IP model's inability to explain the role of individuals has been noted in emerging IB literature. The internationalisation phenomenon is conceptualised as a process of the entrepreneur's behaviours taken in time (Jones & Coviello, 2005). To understand internationalisation, there is a need to understand individual-level factors pertinent to the decision-maker/owner/founder in the internationalisation of firm (Manolova et al., 2002). A significant suggestion in researching the new internationalisation theory is to attend fully to the individual-level influence and their impact on firm-level outcome (Coviello et al., 2017). Certain IB scholars provide insight into extending the IP model, building up a conversation on 'connecting people to internationalisation' (Table 2-2).

**Table 2-2 Extensions to the IP Model**

<b>Literature</b>	<b>Added Factors</b>	<b>Key findings contributing to explain the internationalisation process</b>
Clarke and Liesch (2017) extend IP Model (2009)	Added risk perception and risk propensity.	<ul style="list-style-type: none"> <li>• Firms pursue a wait-and-see strategy to address risk management.</li> <li>• The individual decision-maker's risk behaviour on the risk levels of the firm.</li> <li>• The decision-maker needs to re-evaluate the firm's strategic options according tolerance of existing risks in commitment decisions.</li> </ul>
Coviello et al. (2017) extend IP Model (2017)	Added micro-level influence (decision-makers) and macro-level	<ul style="list-style-type: none"> <li>• Change processes from IP model (2017) occur at the level of an individual decision-maker.</li> </ul>

	influence (digitization).	<ul style="list-style-type: none"> <li>• Individual’s decisions and behaviours are shaped by bounded rationality and bounded reliability.</li> <li>• Decision-makers’ rationality and reliability determine both change and state variables from IP model to some extent.</li> <li>• Firm must possess efficient governance mechanism in the internationalisation activities.</li> </ul>
Dow, Liesch, and Welch (2018) extend IP Model (1977), (2009) and (2014)	The inertial state variables and enabling state variables.	<ul style="list-style-type: none"> <li>• Managers engage with initial ‘change’ aspect to drive internationalisation activities. They make decisions to commit resources to international markets.</li> <li>• Inertia limits the self-reinforcing cycle of the internationalisation: the passage of time and the accumulation of experiential knowledge may not lead to positive internationalisation outcome.</li> <li>• Inertia includes three aspect: specialised assets, network and individual-level biases.</li> </ul>

Table 2-2 summarises the new extensions to the IP Model (Clarke & Liesch, 2017; Coviello et al., 2017; Dow et al., 2018). They all highlight the role of individuals in the process of internationalisation and make contributions to addressing the limitation of IP models (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017). It is essential to understand the difference of decision makers behaviours and their unique situations in the internationalisation process” (Coviello et al., 2017). This study integrates their implications of ‘connecting the internationalisation to people’ as follows:

First, it argues a need to look at individual-level factors in the context of making the internationalisation decisions of a firm. The micro-foundation refers to “locating the causes of a phenomenon at a level of analysis lower than the phenomenon itself, to look at how behaviour of individual members within teams/units/ firms at the micro-level of organisation, influence organisational constructs at the macro-level” (Coviello et al., 2017, p. 1155). Their argument is that characteristics and actions of individuals are tightly connected to firm’s internationalisation outcomes. Second, it is important to address the role of individual decision-maker in internationalisation, including the decision maker’s personality, cognitive adaptability and social competencies (Coviello et al., 2017), the manager’s international actions (Dow et al., 2018) and the decision-maker’s perception of risk and uncertainty as inherent to a new market entry (Knight & Liesch, 2016, p. 98). The third implication is to apply other disciplines’ knowledge to study the internationalisation process. When exploring the theoretical issues in early internationalisation, it should be noted that international business is a derivative field that requires drawing on a wide range of other fields and disciplines ( Knight & Liesch, 2016, p. 98). Firms expand incrementally abroad in terms of commitment (investment) and the choice of destination countries (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017). That journey is supported by certain behavioural processes of individuals (Chandra, Styles, & Wilkinson, 2009; Chandra, Styles, & Wilkinson, 2012). By comparison, the process of the internationalisation (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017) and the process of entrepreneurial action (Wood, Williams, & Gregoire, 2012), share the same logic, both starting with making the decision to pursue the opportunity of entering a new market (Chandra et al., 2012)/ international market (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017), namely pursuing international opportunities across national borders (Reuber et al., 2018).

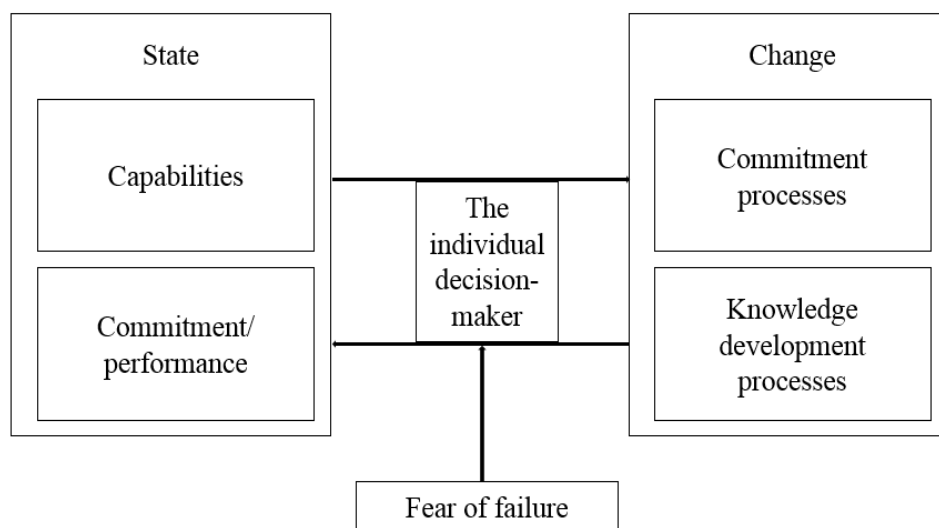


This suggests that “we need a great understanding of the individuals that are central to the firm’s internationalisation behaviour” (Oviatt & McDougall, 2005, p. 17), so drawing on concepts and theory from the entrepreneurship and psychology literature.

The above implications signal that it is essential to ‘connect the internationalisation to people’ by locating the role of individual decision-maker in the centre of a firm’s internationalisation activities, which matters in the context of making the internationalisation decisions of a firm (Coviello, 2015; Coviello et al., 2017). It is an individual’s internationalisation decision that is relevant to the assessment of an international opportunity (Chandra, 2017b), and making the choice between foreign markets (Clark, Li, & Shepherd, 2018) as well as the degree of internationalisation preferred by small firms (Lu & Beamish, 2001). Decision-making means the “entire process of choosing a course of action” (Hastie, 2001, p. 657). This study proposes that the individual decision-maker’s choice of action to follow will influence the commitment processes from the change aspect of the IP model (2017). However, a majority of IB studies are only focusing on the cognitive aspect inherent within the decision-making. The topic of emotion has been silent in the internationalisation studies since 2006 (Meyer & Gelbuda, 2006; Van de Laar & De Neubourg, 2006), even though emotion is an important part of everyday experience and has a prominent role in the Psychology field. Other scholars offer individual-level psychology-informed insights to inform the interaction between emotion and cognition and its influence on making decisions. Central to the business that is mostly personal experience based, are the individual’s feelings and emotions (Morris, Kuratko, Schindehutte, & Spivack, 2012). Given the fact that emotion and cognition are interrelated in the decision-making to determine one’s choice of action taking (Lerner & Keltner, 2000), the environment is interpreted both emotionally and

cognitively (Clore & Huntsinger, 2007, 2009). In this study, I propose to include a specific emotion factor, fear of failure, in theorising the IP model (2017) due to its relevance to the individual decision-maker in the context of making internationalisation occur (Figure 2-2). The reasons are justified in the following sections.

**Figure 2-2 Conceptual Framework of Paper 1: Building the link between fear of failure and the IP Model (2017) (The author)**



#### 4. Emotion and the Context of Decision-Making

Emotion and cognition are associated with different parts of brain, consequently contributing to influencing one’s behaviours. Cognition means “all processes by which sensory input is transformed, reduced, elaborated, stored, recovered, and used” (Neisser, 1976, p. 4). It means an individual’s belief about the linkage between the choice of actions and the subsequent outcomes of those actions (Gavetti & Levinthal, 2000). Social cognition is defined as “the perception of others, the perception of self, and interpersonal knowledge” (Beer & Ochsner, 2006, p. 99). The notion of social cognition implies a

decision-maker's thinking is linked to the external objects rather than only focusing on the 'self'. The *affect-as-information theory* (Clore & Huntsinger, 2007) and *affective processing principle* (Clore & Huntsinger, 2009) explain that people interpret the environment both emotionally and cognitively. Here, affect is a broad term referring to emotions and moods in general, such as happiness, sadness, fear and anger. (Clore & Huntsinger, 2007, p. 393) state that 'affective cues of mood and emotion influence judgements directly by serving as experiential and bodily information regarding how one feels about the object of judgement'. The fundamental assumption behind the theory is that the emotion being experienced is a reaction to the object to be judged. Individuals make decisions in a particular environment, starting from cognitive assessments on a potential outcome based on their embedded environment. They perceive the potential outcome as an environment cue, such as perceiving an environmental factor as a threat. It then it triggers an individual's emotion. In turn, emotion works back to the cognitive assessment to impacts on how an individual interprets the information (Clore & Huntsinger, 2007, 2009). When individuals are experiencing emotions, they will attach their personal value to assess the object (Schwarz, 1990). Emotion may play a more critical role in complex environmental settings compared to cognition (Forgas, 1995). When cognitive assessments and emotions contradict each other, an individual's behavioural choice is often driven by emotion (Loewenstein, Weber, Hsee, & Welch, 2001). Consequently, cognition and emotion interplay to frame decisions, determining an individual's behavioural choices. I summarise the empirical findings by reviewing literature concerning the emotions and decision-making in Table 2-3.

**Table 2-3 Literature Review of Emotion in the Context of Decision-making**

<b>Research Field</b>	<b>Main Research Outcome</b>	<b>Illustrative Empirical Studies</b>
Psychology	<ul style="list-style-type: none"> <li>• Emotions are incorporated into an individual’s decision-making process, affecting an individual’s cognitive and behavioural responses.</li> <li>• The environment cues triggers an individual’s emotion.</li> <li>• Emotions shape one’s judgements or choices involving risk.</li> </ul>	Damasio (1994) Flam (1990) Lerner and Keltner (2000) Lerner and Keltner (2001) Loewenstein et al., (2001) Lope (1987) Smith, Webster, Parrott, Eyre, (2002)
Entrepreneurship	<ul style="list-style-type: none"> <li>• The process of entrepreneurship integrates emotional experiences.</li> <li>• The entrepreneurial environment can generate emotional cues, affecting their judgement on an opportunity of entering a new market.</li> <li>• Entrepreneurs balance the linear and nonlinear (emotion) thinking style to process information.</li> </ul>	Foo (2011) Grichnik et al.(2010) Groves, Vance, and Choi (2011) Morris et al. (2012) Li (2001) Welpe et al. (2012) Shepherd, Patzelt, and Wolfe (2011)
International Business	<ul style="list-style-type: none"> <li>• The process of internationalisation incorporates emotions.</li> <li>• Emotional responses affect making internationalisation decisions in their organisation.</li> </ul>	Van de Laar and De Neubourg (2006)

Emotion can be a temporary state or a stable disposition. The difference is that dispositional emotion is cultivated in the early stage of life by an individual. It is stable in regard to its impact across the life course such as describing one’s personality or trait, not vary with the environment change (Helson & Klohnen, 1998). The state of emotion is of its experienced nature (Russell & Barrett, 1999), and implies how a person sees his or her relationship to the environment and how a person interprets his or her circumstances (Smith & Ellsworth, 1985, p. 831). *Appraisal theory* assumes that an

individual has a tendency to perceive new events and objects determines the emotion (Smith & Ellsworth, 1985). Appraisal tendencies explains emotion and its impacts on shaping a decision-maker's judgement and the subsequent choice of behaviour (Lerner & Keltner, 2000). Lerner and Keltner (2000)'s research initially look at the dispositional emotion but their finding demonstrate that appraisal induces emotion, no matter it is a stable disposition or a temporary state.

Entrepreneurs make decisions relying both on “the head (cognition) and on the heart (emotion)” (Cardon et al., 2012). They should be equipped with a balanced thinking style, synergising linear thinking (analytic, rational, logical) focusing on ‘how do people think?’ and nonlinear thinking (intuitive, creative, emotional) focusing on ‘how do people feel?’ to ‘screen’ the situation that they are embedded in (Groves, Vance, & Choi, 2011). Nonetheless, different emotion varies in its impacts on entrepreneurial activities outcome. Positive emotion influences opportunity evaluation positively but decreases opportunity exploitation negatively; whereas, negative emotions constrain opportunity evaluation and opportunity exploitation (Grichnik et al., 2010). To be specific, fear, anger, joy are different emotions with different impacts on an individual's opportunity evaluation and their sequential tendency to exploit the opportunity (Welppe et al., 2012). Fear differs from other emotions such as anger, happiness and hope, in particular influencing opportunity evaluation decisions though impacting on risk perceptions and risk preferences (Foo, 2011). As such, entrepreneurs with negative emotion are less likely to judge the new venture as an opportunity (Li, 2011).

By comparison, only a few IB scholars initiate the conversation on emotion and internationalisation: Van de Laar and De Neubourg (2006) and Meyer and Gelbuda (2006) arguing that emotions moderate various aspects of the process of

internationalisation of the firm. Van de Laar and De Neubourg (2006) made the first attempt to explain emotion and its influence on FDI (Foreign Direct Investment) decisions. Their empirical research illustrates emotions as a function of personal factors, including relations, involvement, interest, experience and language competences. As a result, managers' emotional attachment to a project, a business relationship, or a country is relevant to investment decisions. Inspired by (Van de Laar & De Neubourg, 2006), Meyer and Gelbuda (2006) connect emotion to the IP model (1977). Their conceptualisation is to integrate emotion and investment decisions. The individual decision-maker's emotions have an impact on influencing the firm's investment and future commitments. Following the arguments building upon the premise that emotion and the process of the internationalisation intersect, this study questions their findings in treating emotions in general, which result in the drawback of failing to make distinctions between an emotional disposition and emotional state, as well as positive emotion and negative emotion (Meyer & Gelbuda, 2006; Van de Laar & De Neubourg, 2006). In particular, the measurement of emotion is not convincing given the fact of treating emotion in general. It leads to their empirical finding limited to its theoretical development.

This study proposes that negative emotion weights importantly in the context of making internationalisation decisions. The reason is that an individual decision-maker may feel unpleasant when estimating uncertainties (Isen, Means, Patrick, & Nowicki, 1982). An individual is more likely to experience negative emotions strikingly in stressful situations (Gray, 1987). Engagement with an unfamiliar environment, such as the new international market, whereby one struggles to understand or predict interaction causes one to experience a cognitive state of uncertainty along with related anxieties that influence one other (Gudykunst, 1998). It can undermine the effectiveness of individual

behaviour significantly. Uncertainty is involved in making the primary judgement, including evaluating the evidence, or experiencing the feelings associated with the judgement process. In addition, people respond to risk at two levels: cognitively, evaluating the threat posed by that risk is experienced during the decision-making process, emotionally (Hastie, 2001, p. 670). Additionally, a focus on a stable dispositional emotion maybe not be appropriate in understanding how individuals perceive the internationalisation environment. The reason is because of the stable impact of the dispositional emotion, which is not varying with moving to a new environment, for example, the internationalisation environment. By comparison with a dispositional emotion, the entrepreneur's emotions are event-generated and relevant to the object in the context concerning evaluation (Foo, 2011).

## **5. Fear of failure and making internationalisation decisions**

It is meaningful to look at fear, among other emotions, because the international market involves more risk, uncertainty and complexity compared to a domestic market (Liesch et al., 2011). It should be carefully noted that fear can be a stable disposition or an emotional state. Fear is described as an unpleasant state demanding extreme amounts of effort (Smith & Ellsworth, 1985, p. 834). Appraisals of uncertainty and situational control induce fear. For instance, an individual person fears when he/she senses the need of safety is not met, and such factors are beyond one's control (Smith & Ellsworth, 1985). Fear means an emotional reaction to a threat (Gray, 1987), which influences the decision-making, cognitive activity, behavioural responses (Damasio, 1994) and well-being (De Castella, Byrne, & Covington, 2013). Fearful people are more likely to perceive greater risk when moving into new environments (Lerner & Keltner, 2000). They demonstrate negative risk estimates and risk-averse choice preference for risk-free options over

uncertain ones (Lerner & Keltner, 2001). Indeed, fear is the emotion linked to appraisal of risk, uncertainty and control, and this is equally true for both a dispositional emotion and a state emotion (Lerner & Keltner, 2001). Furthermore, uncertainty is a known factor that underpins fear (Lerner & Keltner, 2001). Uncertainty is derived from making the primary judgement, including evaluating the evidence, or experiencing the feelings associated with the judgement process (Hastie, 2001, p. 670). In entrepreneurship literature, fear is a significant emotional factor in the entrepreneurial process (Baron, 2008), reflected in an individual's evaluation of the riskiness of a specific opportunity (Foo, 2011), and further reducing the positive impact of opportunity evaluation (Welppe et al., 2012).

Instead of looking at fear generally, this study chooses a specific fear, fear of failure, which is likely to be triggered by the process of internationalisation itself. First, fear of failure is important in the context of entrepreneurship and internationalisation because both can be seen as an achievement context for an individual. An achievement context/situation means "a situation in which an individual is responsible for an uncertain outcome, and this outcome will be evaluated at an excellence standard" (Atkinson, 1957, p. 360). In this situation, an individual's need for achievement is strongly relating to their choice of risk activities as well as the capacity to bear uncertainty (Atkinson, 1957), and satisfy the incentives they seek by taking risks (McClelland & Watson Jr, 1973). Motivation drives an individual's risk-taking behaviour, explaining why people choose tasks of different levels of difficulty (McClelland & Watson Jr, 1973). Indeed, not every individual perceives starting up a business or an internationalisation process as a 'must'. Some may be satisfied with other safe career choices, or just running the business in a



domestic market which contains more familiarity compared to the international market. Therefore, an individual's motivation is key to explaining the fear of failure and one's subsequent choice of a task in the achievement context, such as entrepreneurship or internationalisation. An individual's motivation is an important factor in encouraging entrepreneurs to start international activities and in subsequently choosing the scale and scope of operations by firms in international markets (Zahra, Korri, & Yu, 2005), where the internationalisation context requires decision-makers' risk-taking behaviours (Clarke & Liesch, 2017).

Hope of success and fear of failure, as two motivating factors, are essential in the achievement context, linking to one's risk-taking behaviours (Decharms & Dave, 1965). They suggest that the subject's expectations concern their skills (Decharms & Dave, 1965). On one side, an individual's avoidance motivation is associated with fear of failure, which undermines his/her engagement in the task (Elliot & Harackiewicz, 1996). For example, some individuals are more likely to be cautious safe and prefer achievable tasks in order to avoid potential failures rather than choose difficult tasks. Individuals with strong achievement motivation will have a more satisfied performance and ultimately maximise success and minimise failure (Decharms & Dave, 1965). By contrast, achievement motivation links to emotion (Weiner, 1985). It implies that an individual needs to feel pride in themselves to pursue and achieve something meaningful for oneself (Conroy, Kaye, & Fifer, 2007). In turn, fear of failure shapes how an individual perceives achievement situations: they may be motivated to take actions to work hard to achieve the task or the opposite (Heckhausen & Heckhausen, 1991).

A concern is raised here: an individual may experience fear unconsciously, and may not be aware of what he/she fears (Loewenstein et al., 2001). Differently, fear of failure

may pinpoint the 'failure', as an object, guiding its impact. The internationalisation process implies operating in a continuously changing environment, going from domestic conditions to international markets, while possibly clinging to the existing organisational routines and realising the company's 'unfitness' at the start of internationalisation (Sapienza, Autio, George, & Zahra, 2006). New market entry failure means the venture's decreased involvement because the economic threshold set by the decision maker/entrepreneur is not met (Ucbasaran, Shepherd, Lockett, & Lyon, 2013). Concerning the internationalisation of a firm, failure is defined as "the venture's unexpected decreasing involvement in international activities" (Nummela et al., 2016, p. 53), including numerous de-internationalisation phenomenon such as divestment and export withdrawal. While in some cases this could be a strategic choice to optimise the firm's operations; in other cases such outcome signals lowered international commitment (Trapczyński & Trapczyński, 2016), and have a detrimental effect on the overall firm performance (Sapouna, Dimitratos, Larimo, & Zucchella, 2018). I suggest that decision-makers may perceive the 'failure' object differently in different circumstances, depending on their own self-value and the corresponding strategic choice for their firm's internationalisation activities. Furthermore, fear of failure has different meaning to an individual decision-maker. It can be an important motivating factor determining one's choice about entrepreneurship, or impeding entrepreneurship activities. Some scholars hold the view that fear of failure itself is a motive for individuals to avoid disappointment and the emotion of shame and embarrassment (Carsrud & Brännback, 2011). Fear of failure may stimulate an entrepreneur to put more efforts into achieving their goals (Hayton et al., 2013), in particular when an individual has high standards for success (Morgan & Sisak, 2016). Fear of failure is significant to entrepreneurs among other fearful emotions (Cacciotti & Hayton, 2015).

Entrepreneurship scholars treat the fear of failure differently. Below in Table 2-4, is a summary of the empirical evidence on fear of failure and entrepreneurship. It demonstrates different positions of fear of failure as emotional state, disposition or experience, and the corresponding methodological measurement and pertinent findings.

**Table 2-4 Literature Review: Entrepreneurial Decisions and Fear of Failure**

<b>Literature</b>	<b>Research Topic</b>	<b>Fear of Failure</b>	<b>Literature /Theory Base</b>	<b>Method</b>	<b>Data and Measurement</b>	<b>Key Findings Focusing on Fear of Failure</b>
(Vaillant & Lafuente, 2007)	Institutional conditions, fear of failure, entrepreneurship	Disposition	Institutional Economic Theory	Quantitative	Spanish GEM dataset.	Social stigma towards business failure influences entrepreneurial activities negatively.
(Klauckien & Patzelt, 2009)	Fear of failure and opportunity exploitation	Emotional State	Stress can cause hasty decision-making (Janis & Mann, 1977)	Quantitative	A conjoint-based experiment by 80 entrepreneurs: PFAI scale.	When fear of failure is low, an individual is more likely to exploit the opportunity. When fear of failure is high, stress decreases the likelihood of opportunity exploitation.
(Mitchell & Shepherd, 2010)	Entrepreneurs 'difference and Image of opportunity	Emotional State	Self-Representation Literature (Markus & Wurf, 1987)	Quantitative	Experimental design to test 121 decision makers of technology firms. PFAI scale.	Fear of failure influences opportunity decisions negatively. Entrepreneurs high in fear of failure place greater emphasis on the quality of the opportunity.
(Anokhin & Abarca, 2011)	Entrepreneurial opportunities and human agency	Disposition	Human agency theory	Quantitative	World Bank's World Development Indicators and the GEM database	High levels of fear of failure prevent entrepreneurs from perceiving opportunity subjectively.

(Mitchell & Shepherd, 2011)	Fear of failure and act on the opportunity	Emotional State	Self-Representation Literature (Markus & Wurf, 1987)	Quantitative	In-person meetings with 127 decision-makers: conjoint experiment with PFAI scale	Fear of failure restrains the propensity of entrepreneurial action through moderating the human capital (fear of devaluing self), general self-efficacy (fear of having an uncertain future), and entrepreneurial efficacy on taking action.
(Wood & Rowe, 2011)	Entrepreneurial success and feeling of entrapment	Emotional State	Site-Bet Theory	Quantitative	Primary survey data to investigate active entrepreneurs. It uses' Conroy's 5-item scale.	Individual's difference in fear of failure and attitude towards risk are important predictors of feelings of entrapment.
(Hayton et al., 2013)	Motivation, fear of failure in entrepreneurship	Experience	Multiple perspectives of fear of failure: economic, psychological and social psychological	Qualitative	Articulate the fear of failure as a process. 36 interviews were conducted in the UK.	Fear of failure is contextually situated. It has motivating values that impacting how entrepreneurs evaluate opportunities.
(Wennberg , Pathak, & Autio, 2013)	Culture and fear of failure on entrepreneurship entry	Disposition	Intention-based theories of entrepreneurial behaviours and cultural theory	Quantitative	8 years of survey data of the GEM data-set and the GLOBE study data (culture)	Fear of failure influences the entrepreneurship entry negatively. This relationship is moderated by culture (institutional collectivism and uncertainty avoidance).

(Wood et al., 2014)	The individuation opportunity belief, fear of failure	Emotional State	Mental Model Theory	Quantitative	Conjoint experiment questionnaire with 35 entrepreneurs. PFAI measurement.	Fear of failure shapes an entrepreneur's perceptions of opportunity attractiveness.
(Cacciotti et al., 2016)	Fear of failure, entrepreneurship process	Experience	Theoretical perspectives of fear of failure: economic, psychological and social psychological	Qualitative	Interviews: explore fear of failure from entrepreneurs' 'lived experience'.	Fear of failure is situated in the social context. Cognition and affect underlie the experience of fear of failure in entrepreneurship; oriented towards actions and inactions; involved in time and space regarding business commitments.
(Kollmann et al., 2017)	Fear of failure, obstacles and entrepreneurship	Emotional State	The responsive and integrative approach: view fear of failure as an achievement motive from the social cognitive perspective	Quantitative	Experimental design: 71 entrepreneurship students are told to complete the survey and experiment. A short case study is applied to measure business opportunity evaluation.	Fear of failure mediates the relationship between obstacles and entrepreneurship activities. Fear of failure, as an avoidance motive, has a detrimental impact on opportunity evaluation and exploitation.

As Table 2-4 shows, some research positions fear of failure as a stable dispositional emotion using dummy variables to measure fear of failure quantitatively, including “*Fear of failure would prevent you from starting a business*” (0 = no, 1 = yes), or asking: “*do you perceive fear of business failure or not?*” (Yes or no). This research relies on the Global Entrepreneurship Monitor (GEM) database. Other research believing that fear of failure is an emotional state are more likely to apply a Psychology Measurement Scale to explore this concept, such as such as the PANAS-X scale (Watson & Clark, 1999) and the PFAI scale (Conroy, 2001) (Table 2-5).

**Table 2-5 Fear of failure measurement in Psychology: the PANAS-X scales and the PFAI scale**

<b>Item Composition of the PANAS-X Scales (Watson and Clark, 1999)</b>		
<b>General Dimension Scales</b>		
	Negative Affect (10)	afraid, scared, nervous, jittery, irritable, hostile, guilty, ashamed, upset, distressed
	Positive Affect (10)	active, alert, attentive, determined, enthusiastic, excited, inspired, interested, proud, strong
<b>Basic Negative Emotion Scales</b>		
	Fear (6)	afraid, scared, frightened, nervous, jittery, shaky
	Hostility (6)	angry, hostile, irritable, scornful, disgusted, loathing
	Guilt (6)	guilty, ashamed, blameworthy, angry at self, disgusted with self, dissatisfied with self
	Sadness (5)	sad, blue, downhearted, alone, lonely
<b>Basic Positive Emotion Scales</b>		
	Joviality (8)	happy, joyful, delighted, cheerful, excited, enthusiastic, lively, energetic
	Self-Assurance (6)	proud, strong, confident, bold, daring, fearless

	Attentiveness (4)	alert, attentive, concentrating, determined
Other Affective States		
	Shyness (4)	shy, bashful, sheepish, timid
	Fatigue (4)	sleepy, tired, sluggish, drowsy
	Serenity (3)	calm, relaxed, at ease
	Surprise (3)	amazed, surprised, astonished
Note. The number of terms comprising each scale is shown in parentheses.		
<b>The PFAI scale (Conroy, 2001)</b>		
(a) experiencing shame and embarrassment;		
(b) devaluing one's self-estimate;		
(c) having an uncertain future;		
(d) important others losing interest;		
(e) Upsetting important others.		

By comparison, I question such measurement's failure to address an individual dynamic decision-making process which is underpinned by the interaction between emotion and cognition. Thus, I support the recently emerging entrepreneurship research which treats fear of failure as an experience to capture emotion, cognition and behaviour (Cacciotti et al., 2016; Hayton et al., 2013). Fear of failure is defined as a "temporary cognitive and emotional reaction towards environment stimuli that are apprehended as threats in achievements contexts" (Cacciotti & Hayton, 2015, p. 181). As such, fear of failure is conceptualised as a process including affect, disposition, situational cues, personal expectancy and entrepreneurs' thoughts about themselves and their ideas (Hayton et al., 2013). Cacciotti et al. (2016) disagrees with the assumption behind the fear of failure as a stable emotional disposition to conclude that 'entrepreneurs are born' as well as 'heroes with no fear'. The main assumption here is that fear of failure is not a



pure emotional factor, or cognitive inhibitor of taking actions, but a dynamic experience. In this way, it is inappropriate to measure fear of failure as the single item to rely on GEM data. Cacciotti et al. (2016) apply the qualitative method to explore fear of failure as an experience of emotion, cognition and action situated in a context. Accordingly, their finding indicates that fear of failure is specific to an entrepreneurship context where entrepreneurial actions take place. This does not quite fit with the psychological measurement on fear of failure in general, such the PANAS-X scale (Watson & Clark, 1999) and the PFAI scale (Conroy, 2001). Therefore, Cacciotti et al. (2016) finding helps to address the individual's difference with fear of failure and identify why individual an entrepreneur responds differently.

This research aims to contribute to the ongoing discussion on the fear of failure in line with other internationalisation studies. Fear of failure has received some attention in international business literature. Alon et al. (2013) investigate the internationalisation of Chinese entrepreneurial firms and find that fear of failure decreases an entrepreneur's likelihood to export. The other study, Lafuente et al. (2015) explored the phenomenon from the export entry to de-internationalisation through the lens of the entrepreneurial attributes. They find that the entrepreneur's fear of failure correlated with de-internationalisation, but not with export entry or export sustainability. Here, Lafuente et al. (2015) finding is quite contradict with Alon et al. (2013). Moreover, this study questions both studies' research measurement of fear of failure as a stable disposition. Little attention has been given to exploring how an individual decision-maker's experiences this emotion and how it impacts the process of internationalisation of a firm.

## 6. Conclusion

Along with acknowledging the strategic benefits of internationalisation (McDougall, Shane, & Oviatt, 1994), failure in international markets is often reminded as a possibility (Alexander & Korine, 2008). This paper proposes that the concept of fear of failure can be applied to the IP model (2017), which is shown on the conceptual framework (Figure 2-2). This paper adds richness to the internationalisation literature to integrate the emotion perspective. In addition, it integrates a new concept, fear of failure, to reignite the discussion of ‘connecting people to the internationalisation’ as well as ‘emotion and the process of internationalisation’. The understanding of the role of the individual-level decision-maker in their firm’s internationalisation process is strengthened by leveraging off the entrepreneurship literature by considering a new individual-level factor, fear of failure. Furthermore, it reviewed various bodies of literature on emotion, specifically fear and fear of failure, and their application to the entrepreneurship literature, integrating empirical evidence from diverse studies. This paper contributes to clarifying the nature of an emotional state and a dispositional emotion. It supports the ‘experience’ view of fear of failure (Cacciotti et al., 2016; Hayton et al., 2013) to capture emotion, cognition and action in the entrepreneurship process, and suggests the experience view of fear of failure is feasible as a lens through which to explore internationalisation. Fear of failure is a crucial emotional experience linked to an individual’s perception of risk and uncertainty, as well as their choice of action. To understand the decision-maker’s choice of engaging in the internationalisation of their firm, there is need to uncover the fear of failure experience.

This conceptual paper, while serving as a starting point, has implications that offer directions for future research. First, internationalisation decisions made by an individual

decision-maker to expand their ventures across borders is a fruitful context for in depth exploration of fear of failure. Decisions made in an unfamiliar and challenging business environment are filled with risk and uncertainty (Liesch et al., 2011). The decision-maker is potentially overwhelmed by unwanted externalities faces complex challenges in a constantly changing landscape. Failure in an overseas market disappoints the expectations of the decision-maker. SMEs can also exhibit aversion to the obstacles of internationalisation, due to fear of future competition, insufficient resources and perceiving the cost of establishing international networks with foreign partners as high (Westhead, 2008). This study believes that the internationalisation environment is sufficiently challenging and dynamic, s that it may trigger cognitive and emotional experiences of fear of failure, and ultimately affect making internationalisation related decisions. Despite this evidence of the effects of fear of failure on the exporting behaviour, fear of failure may also lead to social stigma in the context of internationalisation activities (Alon et al., 2013), although little is known about how fear of failure impacts on making internationalisation decisions.

Second, my conceptualisation of fear of failure is likely to shed light on what is happening at the early stages of the internationalisation of a company rather than throughout the entire internationalisation process. The effect of the fear of failure could subside once SME owners gain more knowledge, experience and are able to strengthen their networks in international markets. This is worthy of further investigation. It would be promising to explore research questions that arise: *how SME owners experience the emotional and cognitive aspects of fear of failure when making internationalisation decisions for a firm?* It is worthy of looking at how they think and how they feel at this situation while making the decision. Moreover, the next step could explore the

behavioural response to the fear of failure, and ultimately trigger a change. It may uncover effective strategies to deal with fear of failure. With regard to the methodological foci, a qualitative investigation using interpretive techniques would be a priority consideration. Future research could explore fear of failure by capturing the voice of SME owners who could share their personal internationalisation experience.

Finally, fear of failure is a context-sensitive phenomenon (Cacciotti et al., 2016). Decision-makers from emerging economies could offer a fruitful context for investigation due to their limited international networks (Ellis, 2011) and socio-cultural pressures in the domestic environment (Alon et al., 2013). The social context and institutional environment of China could be a productive environment in which to proceed an empirical exploration of fear of failure. China has a long history of economic isolation before Chairman Deng Xiaoping implementing the 'China's policy of opening up to foreign business' (also called 'open-door' policy) in 1978 (Wei, 1995), and it lacks an export culture (Alon et al., 2013). Although China currently is a major player internationally, its success is attributed to foreign direct investment (FDI) while indigenous firms seem to lag behind due to poor decisions and 'rushing in' to internationalise (Naudé, 2009). Fear of failure is also a dominant phenomenon in Chinese societies due to the notion of 'face' highlighted in eastern cultures (Zane & Yeh, 2002). The fear of losing face is an important aspect of decision-making (Murray, 1999). Fear of losing face in Chinese societies can guide us to explore fear of failure underpinning its social aspect as applied to a commercial environment. Hence, future research could look at the social context with weak support to lead the empirical exploration of this phenomenon. Finally, experiencing fear reactions may be unconscious and unaware (Loewenstein et al., 2001). This paper suggests that decision-makers build awareness about fear of failure, especially in an achievement context such as entrepreneurship and

internationalisation.

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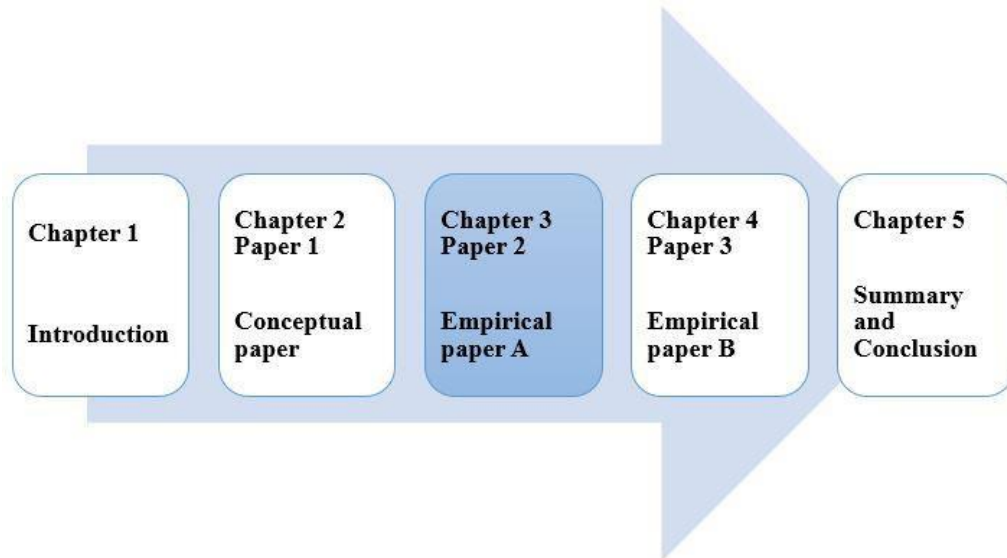
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### 3. Chapter Fear of Failure in the Context of Making Internationalisation Decisions: An Investigation of Chinese Small and Medium-Sized Enterprise Owners (Paper 2)



#### **Conference Presentation:**

- This paper (sole-author) was accepted and presented at Academy of International Business (AIB) Oceania 2018 Research Symposium at the University of Melbourne, Australia, 16<sup>th</sup> November, 2018.

#### **Paper Development Workshop (PDW)**

- This paper (sole-author) was developed at the Paper Development Workshop (PDW) of Academy of International Business (AIB) Oceania 2018 Research Symposium at the University of Melbourne, Australia, 17<sup>th</sup> November, 2018.

#### **Other Conference acceptance:**

- This paper (sole-author) was accepted as the competitive paper at the 44<sup>th</sup> European International Business Academy Conference (EIBA) in Poznań, Poland, December, 13-15, 2018.
- This paper (sole-author) was accepted as the competitive paper at the Academy of International Business Southeast Asia Regional Conference (AIBSEAR) in Hong Kong, China, 6<sup>th</sup>-8<sup>th</sup> December, 2018.

## Statement of Authorship

Title of Paper	Fear of Failure in the Context of Making Internationalisation Decisions: An Investigation of Chinese Small and Medium-Sized Enterprise Owners
Publication Status	<input type="checkbox"/> Published <input type="checkbox"/> Accepted for Publication <input type="checkbox"/> Submitted for Publication <input checked="" type="checkbox"/> Unpublished and Unsubmitted work written in manuscript style
Publication Details	N/A

### Principal Author

Name of Principal Author (Candidate)	KECHEN DONG		
Contribution to the Paper	<p>Identify Research Topic, research question. Perform literature review, methodology, design interview and survey questions. Find research participants. Data collection (go to China for data collection) and analysis. Follow up ambiguous details with research participants. Wrote the whole Manuscript. Develop the empirical framework of the research findings.</p> <p>First author (sole-author/corresponding author) for conference submission, presentation and corporate conference feedback.</p> <p>Consult visiting scholars at Adelaide Business School and external researchers for feedback.</p> <p>Engage with Industry to triangulate the research topic: 2 years voluntarily assist many local communities, commerce chambers and other business associations (with volunteer certificate as evidence support). The industry engagement in turn offers feedback on the following key concepts in this paper: International business, decision-making, fear of failure.</p>		
Overall percentage (%)	100%		
Certification:	This paper reports on original research I conducted during the period of my Higher Degree by Research candidature and is not subject to any obligations or contractual agreements with a third party that would constrain its inclusion in this thesis. I am the primary author of this paper.		
Signature		Date	11/04/2019

## **Paper 2: Fear of Failure in the Context of Making Internationalisation Decisions: An Investigation of Small and Medium-Sized Enterprise Owners in China**

### **Abstract**

This paper aims to explore the emotional and cognitive aspects of fear of failure in the context of making internationalisation decisions as experienced by small-and medium-sized enterprise (SME) owners in China.

Recent studies reinforce the role of individual SME owners concerning the process of the internationalisation of a firm. Although the Psychology literature indicates that the decision-making is under certain emotional influences, there is limited understanding of how a decision-maker experiences emotion in the international business setting. Fear of failure, as an individual-level factor, is a well-researched area in Psychology and Entrepreneurship literature. Fear of failure is conceptualised as an experience encompassing an individual's emotions, cognition and actions. Nevertheless, the comprehension of fear of failure is limited in business internationalisation studies. Given the fact that the complex and changing international business environment may be overwhelming to the decision-maker, I argue that fear of failure matters within the pursuit of internationalisation.

This study adopts Interpretative Phenomenological Analysis (IPA) to explore the phenomenon. Based on in-depth interviews with eighteen SME owners in China, this study finds that fear of failure is a dynamic experience underpinning the interaction of emotion and cognition in the context of making internationalisation decisions. The



findings also highlight the contextual nature of fear of failure. Risk and uncertainty are embedded in the internationalisation environment, generating environmental stimuli to the decision-maker to trigger emotional expression of fear of failure. In turn, the emotional aspects of fear of failure shape the decision-maker's cognitive assessment, resulting in fear of failing to manage risk and uncertainty, as well as fear the consequences of failure. The decision-maker interprets risk and uncertainty in response to environmental stimuli threatening both the venture and self. Thus, fear of failure experience is an unseparated part of making internationalisation decisions by a decision-maker.

This paper contributes to international business literature by centralising the role of the individual decision-maker in the process of the internationalisation (IP model) and extending the IP Model from the fear of failure perspective. As a managerial contribution, this study helps SME owners to understand their fear of failure experience concerning internationalisation. It has practical implications for SME owners in China and international entrepreneurship educators.

**Key Words:** fear of failure, emotion, cognition, internationalisation decision

## 1 Introduction

The phenomenon of small firms' internationalisation activities raises great interest for International Business (IB) scholars (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017). However, internationalisation is like a double-edged sword, including not only growth but also failed activities (Alexander & Korine, 2008). Risk and uncertainty (Liesch et al., 2011), and obstacles in the internationalisation process (Westhead, 2008) may be overwhelming for a decision maker. The decision-maker faces challenges when assessing a new international market (Chandra, 2017a), such as the phenomenon of failure in international markets (Alexander & Korine, 2008) and the firm's pressure from the internationalisation (Kriz & Welch, 2018). Nonetheless, there is inadequate understanding of how a decision-maker feels and what he/she thinks in the context of making internationalisation decisions.

Emotion studies are flourish in Psychology (Damasio, 1994; Flam, 1990; Izard, 1971; Russell & Barrett, 1999), noting the interaction between emotion and cognition in determining decision-making (Clore & Huntsinger, 2007, 2009; Giorgi, 2017; Smith & Ellsworth, 1985). The topic of emotion also attracts significant attention in entrepreneurship literature (Cardon et al., 2012; Hayton & Cholakova, 2012). For instance, the impact of emotions contributes to influencing opportunity activities by individuals (Foo, 2011; Grichnik et al., 2010; Y. Li, 2011; Welpel et al., 2012). Moreover, Shepherd (2003) established the emotionality of failure, shedding light on the emotional cost and loss-related impacts concerning business failure.

Inherently, fear of failure, among other emotions, is an achievement move (McClelland & Watson Jr, 1973), determining an individual's risk-taking behaviours (Decharms & Dave, 1965). As a psychological barrier (Conroy, 2001; Conroy, Willow,

& Metzler, 2002), fear of failure plays a consequential role in decision-making (De Castella et al., 2013; Decharms & Dave, 1965) and entrepreneurial activities (Klaukien & Patzelt, 2009; Kollmann et al., 2017; Mitchell & Shepherd, 2011; Morgan & Sisak, 2016). Some scholars suggest the fear of failure becomes imperative to opportunity evaluation (Wood & Williams, 2014). Fear of failure is experienced by an individual decision-maker, shaping his/her emotion, cognition and behavioural response in the entrepreneurship process (Cacciotti et al., 2016; Hayton et al., 2013). But their finding is contextual-sensitive to the entrepreneurship environment, which is not applicable to other contexts (Cacciotti et al., 2016), such as internationalisation. The reason is that an individual's emotion, cognition and behavioural response are constantly changing when moving into a new environment.

Internationalisation theories significantly ignore a conversation about emotions and do not consider the fear of failure. The *Uppsala Model of Internationalisation* (IP model) (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017) explains the firm's gradual internationalisation process. But their process model does not reflect the role the individual (Vahlne & Johanson, 2017) and thereby limits the far-reaching insights of decision-making at the individual-level. Sparked by Psychology literature, it is worthy of studying the individual's difference to understand the firm's entrepreneurial internationalisation behaviour (Coviello, 2015) because it is the individual who makes decisions to internationalise and their action drives firm-level internationalisation activities (Coviello et al., 2017; Dow et al., 2018). These include empirical evidence indicating the effect of emotions on foreign direct investment decisions (Van de Laar & De Neubourg, 2006), and the impact of the fear of failure on exporting (Alon et al., 2013). Some findings implicitly mentioned that fear of failure is in line with SMEs'

internationalisation efforts (Lafuente et al., 2015). Although the fear of failure is recognised as being real and a contributor towards behaviour, it is unclear how SME owners experience this emotion in the internationalisation process. Hence, this paper raises the research question: *How do SME owners experience emotional and cognitive aspects of fear of failure in the context of making internationalisation decisions for their firms?*

This study pursues a qualitative method to explore fear of failure experience in line with the current research foci (Cacciotti et al., 2016). Using an exploratory research design and Interpretative Phenomenological Analysis (IPA), I conducted in-depth interviews with eighteen business owners who own exporting-SMEs from China, and they were responsible for starting and expanding exporting operations for their firms. As such, this paper draws International Business (IB) scholars' attention to a new avenue by illuminating the fear of failure as experienced by SME owners.

The paper is structured as follows: it begins with reviewing the internationalisation literature critical to pinpointing the need to address the emotional perspective. This paper then refers to Psychology literature and Entrepreneurship literature, building up a theoretical foundation of fear of failure. The methodology and the research findings are presented. The conclusion and future research directions complete the paper.

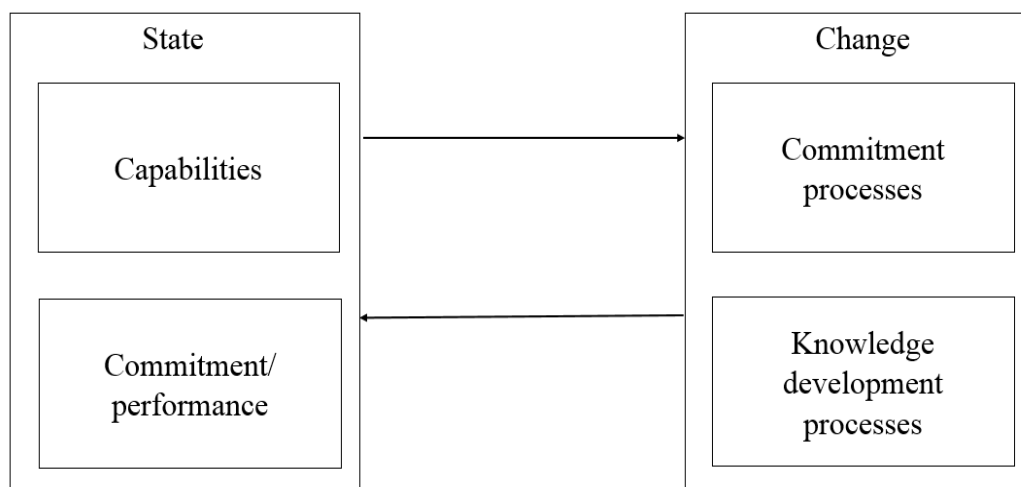
## **2 Theoretical Overview**

### **2.1 The Individual Decision-Maker and the Process of the Internationalisation of a Firm**

The *Uppsala Model of Internationalisation* (IP model) (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017) provides fundamental insights into the internationalisation behaviour of a firm. Internationalisation is the process of the gradual

increase of a firm's involvement that depends on incremental commitment processes and knowledge development processes (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017). IP model (Figure 1) indicates that the intertwined resource commitment decisions and knowledge development, in turn, will gradually strengthen the firm's capability and performance (Vahlne & Johanson, 2017).

**Figure 3-1 the IP Model (Johanson & Vahlne 2017)**



First, the role of individual decision-makers is important to the firm's internationalisation activities. Recently scholars have extended the IP Model contributing to 'connecting people to the internationalisation' (Clarke & Liesch, 2017; Coviello et al., 2017; Dow et al., 2018). These arguments shed light on the micro-foundation of the internationalisation process, arguing the importance of understanding how the behaviour of individual members of teams, units and firms, at the micro-level of an organisation, influence the macro-level organisational constructs (Coviello et al., 2017, p. 1155). Indeed, the firm-level internationalisation activities are driven by the people comprising the organisation (Coviello, 2015). The characteristics and actions of individuals (Coviello et al., 2017), international actions (Dow et al., 2018) and risk perception (Clarke &

Liesch, 2017), are tightly connected to firm-level outcomes in the process of internationalisation (Johanson & Vahlne, 2009; Vahlne & Johanson, 2017). These studies advocate the study of the process of internationalisation by leveraging individual-level factors. Other scholars highlight the parallel nature of the internationalisation process and entrepreneurship process and thereby suggest applying Entrepreneurship literature to enhance the understanding of role of the individual and the internationalisation process of a firm (Andersson & Evers, 2015; Chandra, 2017b; Chandra et al., 2009; Clark et al., 2018; Zahra et al., 2005). They address cognitive aspect to explain why some business owners expand their businesses overseas. As such, the assessment of international opportunity is an individual-level cognitive activity (Reuber et al., 2018).

Second, the contextual nature of the internationalisation environment deserves attention. Risk management is paramount in the process of internationalisation (Clarke & Liesch, 2017), which is associated with international commitment depending on what the decision-maker can accept (Liesch et al., 2011). In particular, SMEs often lack information and knowledge about foreign institutions and markets, so risk and uncertainty become critical factors in evaluating internationalisation decisions (Liesch et al., 2011). Nonetheless, SMEs often do not have adequate networks to access information and knowledge that contributes to a decrease in the negative impact of these liabilities and risks of internationalisation (Ellis, 2011), including the liability of foreignness (Zaheer, 2002) and outsidership (Johanson & Vahlne, 2009).

Third, the interrelationship between a decision-maker and an internationalisation environment is noted. Risk perception and perceived uncertainty are crucial individual-level factors in making entrepreneurship decisions (McMullen & Shepherd, 2006) as well

as the internationalisation decisions (Clarke & Liesch, 2017). Sitkin and Weingart (1995, p. 1575) define risk perception as “an individual’s assessment of how risky a situation is in terms of probabilistic estimates of the degree of situational uncertainty, how controllable that uncertainty is, and confidence in those estimates”. Individuals are more likely to take risky actions because they perceive less risk than most when they evaluate an identical situation. Decision-makers consider risks of “sinking the boat” (failure of business opportunity) and the risk of “missing the boat” (fail to catch a market opportunity) (Dickson & Giglierano, 1986; Mullins & Forlani, 2005). Moreover, entrepreneurs do not necessary prefer to engage in taking risky actions. Instead, they form a risk perception more positively responding to the high probability of favourable future outcomes if taking risky actions (Palich & Bagby, 1995). Therefore, Palich and Bagby (1995) remark that entrepreneurs are more likely to see the business world through “rose-coloured glasses” because they tend to associate risky business situations with cognitive assessment that suggests more favourable attributes (pg. 433). Additionally, an individual decision-maker experiences uncertainty when they make a decision in a certain environment (Milliken, 1987). There are three types of uncertainty experienced by decision-maker: state, effect and response uncertainty (Milliken, 1987). I summarise the key characters of state, effect and response uncertainty in Table 3-1. Taken together, their findings demonstrate that the source of uncertainty is outside the organisation, situated in the external environment. The perception of uncertainty is future-oriented, corresponding to the changing environment. Last but not least, a decision-maker is uncertain about both the changing environment, as well as their own response choice. In entrepreneurship, (McMullen & Shepherd, 2006) find two types of uncertainties in the entrepreneurship entry: the uncertainty over the opportunity and the uncertainty over the information accuracy.

**Table 3-1 'Experiencing Uncertainty' by Milliken (1987)**

'Experiencing Uncertainty'	
Effect uncertainty	<ul style="list-style-type: none"> <li>• Unable to estimate how changing factors in environment will influence back to their firm.</li> </ul>
Response uncertainty	<ul style="list-style-type: none"> <li>• Due to a lack of knowledge, an individual is unable to cater to a changing situation.</li> <li>• Also, an individual is unable to predict the possible consequences of their response choice.</li> </ul>
State uncertainty	<ul style="list-style-type: none"> <li>• Unable to predict how environmental factors are changing over time, such as technology and customer demand.</li> <li>• Incomplete understanding of the interrelationships among environmental factors.</li> </ul>

Unfortunately, making internationalisation decisions is much more complicated for an individual SME owner. In terms of the decision-maker's position in a firm, a business owner is fully responsible for making strategic decisions- relating to their firm's internationalisation activities. His/her identity as a business owner is much highlighted with one's personal values centralised in the decision-making context. The notion of identity helps to understand the decision-maker's passion through explaining what an individual's 'self-meaning' from their work-roles is and why they commit to their work (Burke & Reitzes, 1991). It implies the decision-maker's expectations that the roles they enact will reflect one's character (Burke & Reitzes, 1991). In the context of a firm's internationalisation, exporting by small and medium sized enterprises' (SMEs) is not just a one-off activity. It associates with various obstacles, such as strategic obstacles as 'perceiving exporting to be risky', 'focusing on local markets' and limited resources; information obstacles relating to the lack of overseas contacts, and the process-based



obstacles, trade impediments, and culture difference (Westhead, 2008). SMEs can exhibit an aversion to uncertainty and risk associated with the process of internationalisation, partly due to fear of future competition, insufficient resources and perceiving the cost of establishing international networks with foreign partners as high (Westhead, 2008). However, there is inadequate understanding of the decision-maker's emotions in such challenging, risky and uncertain situations in the context of making internationalisation decisions.

## **2.2 Emotion and Decision-making**

Psychology studies indicate that emotion interacts with cognition, determining decision-making (Lerner & Keltner, 2000; Smith & Ellsworth, 1985), in particular making decisions regarding taking actions in risky and uncertain environments (Smith & Ellsworth, 1985). Fear as an example, arises from the appraisals of uncertainty as well as appraisals of situational control, where an individual senses the need for safety is not met, and such factors are beyond one's control (Lerner & Keltner, 2000). Second, emotion has impacts on informing judgements via shaping how an individual interprets information (Clore & Huntsinger, 2007, 2009). Third, emotion can be viewed as a temporary state or a stable disposition (Helson & Klohnen, 1998), or an ongoing emotion which is experienced by an individual (Russell & Barrett, 1999).

Emotion is a compelling component concerning decision-making in Business Management and Entrepreneurship studies. Apart from the cognitive aspect of beliefs and understandings, framing decisions cannot be understood without reference to its emotional impact, including feelings, passions and aspirations (Giorgi, 2017). Emotions and moods, such as happiness, sadness, fear and anger, are important to forming entrepreneurial ideas (Hayton & Cholakova, 2012). The decision outcome to pursue an

opportunity can be different under impacts of different emotion: when individuals are experiencing positive emotion, they tend to make favourable judgements or evaluations; by contrast, they are likely to form negative judgements or evaluations under negative emotional impacts (Baron, 2008). Different from anger, happiness and hope, fear particularly influences opportunity evaluation decisions through shaping one's riskperceptions and risk preferences (Foo, 2011). Nevertheless, I have an inadequate understanding of the emotion in the internationalisation process, expecting the link between emotion and FDI (Foreign Direct Investment) decisions (Van de Laar & De Neubourg, 2006) and conceptualisation by arguing that emotional attachment reinforces the foreign business growth (Meyer & Gelbuda, 2006).

Instead of treating emotion concerning decision-making in general, I suggest a focus on a specific emotion, fear of failure, in the context of making internationalisation decisions for the following reasons. First, the internationalisation process means an achievement context (Atkinson, 1957) to a decision-maker where fear of failure is a critical motive (McClelland & Watson Jr, 1973). Second, fear of failure, as a specific type of fear, is more likely to be triggered by risk and uncertainty appraisals (Lerner & Keltner, 2000). Risk and uncertainty are embedded in the internationalisation process (Liesch et al., 2011). Third, empirical evidence suggests that fear of failure has impacts on the exporting behaviour of SMEs (Alon et al., 2013) and de-internationalisation (Lafuente et al., 2015). However, it is not clear how a decision-maker experiences this emotion in the context of making internationalisation decisions. Therefore, this study integrates findings relating to fear of failure from Psychological literature and Entrepreneurship literature. In order to offer a deeper understanding of fear of failure in the next section.

### **2.3 Fear of Failure**

Although fear of failure is well-researched in Psychology literature, this concept has been defined variously throughout Entrepreneurship literature. In order to provide a comprehensive understanding, I compare and contrast understandings of fear of failure from following four perspectives: (1) the psychological perspective; (2) the economic perspective; (3) the social perspective; and (4) the phenomenon perspective. I present empirical evidence suggesting how fear of failure affects making entrepreneurship decisions in Table 3-2.

**Table 3-2 Literature Review on Fear of Failure and Making Entrepreneurship**

**Decisions**

<b>Fear of Failure</b>	<b>Key Empirical Findings on Fear of Failure</b>	<b>Illustrative Studies</b>
<u>Psychological Perspective</u>	<ul style="list-style-type: none"> <li>• A negative stressful emotional reaction to stressful situations.</li> <li>• A negative feeling drives an individual’s judgement and behaviour on new market entry.</li> <li>• Shapes entrepreneurs’ view of a new market and its attractiveness, and decreases the likelihood to exploit a market.</li> <li>• Disagreement on the motivating value of the fear of failure, whether it’s an avoidance motive or an encouraging motive.</li> </ul>	Ekore and Okekeocha (2012); Klaukien & Patzelt (2009);Kollmann, Stöckmann, & Kensbock (2017) Li (2011);Wood et al.(2014);Wood & Rowe (2011)
<u>Economic Perspective</u>	<ul style="list-style-type: none"> <li>• Individuals perceive the possible failure outcome when making decisions.</li> <li>• Fear of failure implies one’s expectantian, as well as the thoughts about entrepreneurs themselves and their ideas.</li> <li>• An entrepreneurial decision to enter a market is evaluated through perceived gains and losses.</li> <li>• Fear of failure influences the evaluations of opportunity feasibility and desirability, and the possibility of entrepreneurial action.</li> </ul>	Arenius and Minniti (2005); Anokhin and Abarca(2011); Mitchell & Shepherd (2011); (Morgan & Sisak, 2016); Ucbasaran et al. (2009); Schindehutte, et al. (2006);

<u>Social Perspective</u>	<ul style="list-style-type: none"> <li>• Social stigma towards business failure shapes one’s perception of the entrepreneurial activity.</li> <li>• Entrepreneurs expose to other people’s judgement and criticism from multiple stakeholders and various criteria.</li> </ul>	Vaillant & Lafuente (2007); Wennberg, Pathak, & Autio, (2013)
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### (1) The Psychological Perspective to Fear of Failure

Most studies look at the fear of failure as an emotional state from the psychological perspective. They apply the definition of fear of failure as “the need to quit embarrassing situations or to avoid conditions which may lead to belittlement” (Murray, 1938, p. 192). Fear of failure as a mix of emotions is always associated with feelings of worry, anxiety and cognitive disruption that leads to a low level of optimism (Conroy, 2001; Conroy et al., 2002). Anxiety connects to fear of failure in the context of risk-taking behaviour which emerges when a person compares their performance with that of others (Decharms & Dave, 1965). A fear-anxiety interaction triggers worry (Cacciotti & Hayton, 2015). Further, the emotional impacts of fear of failure shapes an individual’s cognition, determining how he/she will define, orient to and experience failure in achievement situations (Heckhausen & Baltes, 1991). For example, fear of failure generates shame, an aversive emotional experience grounded in a person’s negative judgement about themselves (McGregor & Elliot, 2005) and linked to tendencies of avoidance and withdrawal (Mascolo & Fischer, 1995).

Following the psychological perspective, fear of failure shapes an individual’s attitude and beliefs about themselves and as a result determines their entrepreneurial action (Wood, McKinley, & Engstrom, 2013). Fear of failure is regarded as a negative emotional reaction to stressful situations, that “leaves a person discouraged and afraid that they will not succeed even before attempting” (Ekore & Okekeocha, 2012, p. 516).

An individual's self-confidence and fear of failure determine their perceived possibility of failure (Ucbasaran et al., 2009). Fear of failure leads to an increased internal focus on the opportunity desirability along with a decreased focus on external environmental impacts (Mitchell & Shepherd, 2010). It influences an individual's perception of opportunity: when an entrepreneur shows less fear of failure, he/she is more likely to judge the new venture as an opportunity (Li, 2011). By comparison, high levels of fear of failure prevent an individual subjectively from realising opportunities (Anokhin & Abarca, 2011). Moreover, entrepreneurs may fear devaluing the self and having an uncertain future, and thereby fear of failure impedes taking entrepreneurial action (Mitchell & Shepherd, 2011).

## **(2) The Economic Perspective to View the Fear of Failure**

The economic perspective on fear of failure focuses on an individual's cognitive assessment of the situation as well as the potential economic gains or loss. Fear of failure is a barrier preventing an individual from entering entrepreneurship as an occupational choice, such as negatively influencing the likelihood to be nascent entrepreneur (Arenius & Minniti, 2005), perceiving opportunities (Anokhin & Abarca, 2011) and valuing the gain and loss (Morgan & Sisak, 2016). Many studies (Anokhin & Abarca, 2011; Arenius & Minniti, 2005; Brixy, Sternberg, & Stüber, 2012; Morgan & Sisak, 2016) rely on the single item to measure the fear of failure as a perceptual variable: 'fear of failure would prevent me from starting a business'. The two international business studies concerning fear of failure that have been discussed before, also fall into the economic approach (Alon et al., 2013; Lafuente et al., 2015). However, the static measurement discusses business failure in general, resulting in a limited theoretical and practical contribution.

The core essence of fear of failure from the economic perspective relates to its

motivating value. Fear of failure can both motivate (Carsrud & Brännback, 2011) and inhibiting entrepreneurial behaviour (Morgan & Sisak, 2016). While inhibition leads to avoiding the action, the motivating impact results in working harder to prevent failure and ultimately to achieve success. Fear of failure may be a reason to make an extra effort to avoid disappointment, shame and embarrassment (Carsrud & Brännback, 2011). Interestingly, fear of failure can be a motivator only when an individual's standards for success are sufficiently high, and they engage in valuing loss instead of risk aversion (Morgan & Sisak, 2016). Despite such findings, the drawback in the economic approach is limited to viewing fear of failure as a filter preventing entrepreneurial activities. In general, it is still unclear how emotional experiences determine entrepreneurial decision making (Groves et al., 2011).

### **(3) The Social Perspective to View the Fear of Failure**

This social perspective of fear of failure moves past focusing on 'what I feel/think' towards 'what others would say about me if I fail' and 'how others would view me if I fail'. Fear of failure from a social perspective, influences decision-makers indirectly. Fear of failure is a socio-cultural construct whereby failing as a shameful experience defined by the social norms, creates pressure to meet the requirements of socially prescribed action (Smith, Webster, Parrott, & Eyre, 2002) and to succeed beyond one's capability (McGregor & Elliot, 2005). This implies a belief that the consequence of failure is upsetting important others or making them lose interest in oneself (Conroy et al., 2007). The process of entrepreneurship involves interaction with multiple stakeholders who inevitably evaluate entrepreneurs' performances exposing them to other people's judgement and criticism (Cacciotti & Hayton, 2015). Social stigma attached to business failure has a negative effect on entrepreneurial activity (Vaillant & Lafuente, 2007). Fear

of failure, especially, could be a dominant phenomenon in collectivistic cultures, such as Chinese societies which attach importance to the notion of ‘face’ (Zane & Yeh, 2002). People use a metaphor of ‘mirror’ to illustrate the notion of ‘face’, relating to how an individual presents self to others, as well as how others view the individual (Ho, Fu, & Ng, 2004). The importance of social esteem and self-esteem is emphasised. Fear of losing face is an important aspect of decision-making (Murray, 1999), while losing face means “a damaging social event in which one’s action is publicly given notice and negatively judged by others, resulting in a loss of moral or social standing” (Ho et al., 2004, p. 70). In entrepreneurship studies, Chua and Bedford (2016) explored entrepreneurial intention and they find that experiencing shame and embarrassment and devaluing one’s self-estimation are outcomes of losing face. By contrast, the social encouragement of a ‘can-do’ attitude or social norms that emphasise process rather than results, can decrease fear of failure (Wennberg et al., 2013).

#### **(4) The Experience Perspective to View the Fear of Failure**

The emerging entrepreneurship scholars conceptualise fear of failure as an ongoing experience (Cacciotti et al., 2016). Contrary to viewing fear of failure as a single factor, it is a part of entrepreneurial journey. Fear of failure is defined as a “temporary cognitive and emotional reaction towards environment stimuli that is apprehended as a threat in achievements contexts” (Cacciotti & Hayton, 2015, p. 181). It is conceptualised as a process including affect, disposition, situational cues, personal expectancy and entrepreneurs’ thoughts about themselves and their ideas (Hayton et al., 2013). This dynamic experience is linked to the internal cognitive assessment of environmental changes which may lead to one’s inability to achieve a goal (Cacciotti & Hayton, 2014). If an individual perceives environmental stimuli and regards them as threats in

achievement contexts, it would cause a temporary cognitive and emotional response (Cacciotti & Hayton, 2015).

Cacciotti et al. (2016) continue sharpening their theory by arguing that fear of failure as a context-sensitive phenomenon. The reason is due to the dynamism of the fear of failure experience as an emotion-cognition-behaviour interaction. Fear of failure experience occurs in challenging, uncertain, dynamic and risk-laden situations during the entire entrepreneurial process. The authors found both cognitive evaluation and embodied emotion underlining the experience of the fear of failure in entrepreneurship which is socially situated. The environment gives rise to the externally situated social cues, namely the sources of fear of failure in their research (Cacciotti et al., 2016, p. 316). The sources of fear of failure are appraised as threats by the individual. Thus, they suggest that experiencing the fear of failure in the process of entrepreneurship is significantly about a fear of failing in the middle of this process, and fearing failure at the end of this process. Entrepreneurs experience new feelings in relation to failing at stages in the process. The experience of fear of failure as embodied emotion combines both positive and negative emotions. Fear of failure, as experienced, is the ongoing dynamic process: an individual may experience a new feeling, demonstrate new thinking and even engage in a new behaviour (Cacciotti et al., 2016).

Thus, the above arguments uncover that fear of failure is a multifaceted experience, which can be inclusive of psychological, economic and social perspectives. The multifaceted fear of failure may have different impacts on decision-making. The experience of fear of failure is also contextually sensitive, which implies that fear of failure in entrepreneurial environment is different within other contexts (Cacciotti et al., 2016), such as making internationalisation decisions as a focus of this paper.



### 3 Methodology

This paper follows a qualitative approach to delineate the exploratory nature of the research question: “*how do SME owners experience the emotional and cognitive aspects of fear of failure in the context of making internationalisation decisions for their firms?*” First, this study seeks to explore the fear of failure experience (Cacciotti et al., 2016) that lends itself to qualitative exploration because it concerns the quality of personal involvement rather than causal relationships (Denzin & Lincoln, 1994). This personal involvement includes an individual’s complex behavioural responses to emotional and cognitive experiences, related to fear of failure, the focus of this study. The qualitative approach is applicable to examine human action through understanding the actor’s subjective experiences (Denzin & Lincoln, 1994), as appropriate for exploring emotions (Shepherd, 2004) and the fear of failure experience (Cacciotti et al., 2016; Chua & Bedford, 2016). It is also important to explore the potential embedded context in explaining why people experience the world in different ways. It offers an in-depth description of socially-situated environments, such as those required in entrepreneurship (Davidsson, 2005) and international business (Doz, 2011). Furthermore, this study aims to capture the voices, stories, viewpoints and meanings from exploring SME owners’ experiences. A qualitative inquiry details research participants’ subjective perceived experience and behaviour that is shared with the researcher (Silverman, 2010). The qualitative methodology facilitates an understanding of the participants’ actions through their subjective world or lens, which will help this study to explore the individual’s complex responses to the emotional and cognitive aspects of fear of failure experiences.

Interpretative Phenomenological Analysis (IPA) was a technique developed by (J. A. Smith, 1996) and has been well-applied in Psychology (Larkin & Thompson, 2012; J. A. Smith, 2015). An IPA study focuses on “examining how individuals make meaning of their life experiences” (Pietkiewicz & Smith, 2014, p. 7), something fundamentally important in psychological research (Brocki & Wearden, 2006; Larkin & Thompson,

2012). IPA has been applied to investigate the topic of 'learning from failure experience in an entrepreneurship setting' (Cope, 2011, p. 608). This study applies an IPA technique because it is useful in examining under-researched topics with inherent complexity and ambiguity, by interpreting how participants think about what is happening to them (Smith, 2015). Therefore, it offers insights to explore the phenomena where participants may struggle with expressing how they think and feel and want to limit self-disclosure (Smith & Osborn, 2004). The exploration of fear of failure experience, meets the above criteria for research design (Cacciotti et al., 2016).

This study is based on semi-structured interviews with 18 participants conducted in China in 2016-17. China, as the empirical research context, provides a favourable setting for SME internationalisation due to its export-led growth. Many Chinese SME owners, however, are disadvantaged because of their limited international networks (Ellis, 2011) and lack of the specific internationalisation knowledge and capabilities required (Liu et al., 2008). The growing trade tensions between China and the USA during the Trump presidency (2016 onwards) provide an additional favourable context for focusing on China due to perceived increased potential for uncertainty by Chinese SME owners planning to enter international markets.

### **3.1 Data collection**

An IPA sampling is purposive in identifying potential participants to ensure obtaining rich data and usually involves a study of between six to fifteen cases, but without strict rules on the number of participants to be included (Smith & Osborn, 2004). Given the fact that decision-making related to internationalisation is quite centralised to key persons in SMEs (Hurmerinta, Nummela, & Paavilainen-Mäntymäki, 2015), and risk assessment and responses also depend on the firm's financing and ownership structure

(Kriz & Welch, 2018), the “individual SME owner who is fully responsible for making internationalisation decisions for their firm” is the level of analysis adopted in my study. A purposive snowball sampling technique (Biernacki & Waldorf, 1981; Cochran, 2007) was used to select participants considering the following criteria: (1) a business owner of Chinese ethnic background, lives and operates business in China; (2) Owns an exporting SME with less than 200 employees (to control for resource bias) and a minimum of 25% of revenue derived from foreign markets; (3) Has been fully responsible for making decisions about a new international market entry for the firm; (4) Has experienced fear of failure in the context of making internalisation decisions.

I sought to capture responses from SME owners from a wide range of exporting products and industry backgrounds to reach data saturation. This study employed criteria-based purposive sampling to understand how SME owners experience fear of failure (Pietkiewicz & Smith, 2014), with participants willing to provide their accounts of challenging personal experiences (Cope, 2011). To recruit participants, I used personal contacts and approached potential participants through email and WeChat, an online communication tool. Potential participants were well-informed about the research topic and provided the researcher with their signed consent forms to participate. To avoid misinterpretation, all the documents (interview protocol and questionnaire) were translated into Chinese by the researcher and then back-translated by a NATTI (National Accreditation Authority for Translators and Interpreters) accelerated translator to check for accuracy. Interviews were conducted in the participants’ first language Mandarin.

The data collection protocol for the study includes two close-ended questionnaires and an interview guide. The questionnaires were designed to capture background information about participants and their SMEs. Prior to the interviews, I collected

secondary data about the study participants and their firms from publicly available sources, such as company homepages, social media, and public reports, to assist with understanding their profiles. IPA data collection is flexible in creating opportunities for research participants to describe detailed accounts of their experiences via semi-structured interviews (Smith & Osborn, 2004). I prepared a brief Interview Guide (King & Horrocks, 2010), including questions such as: *“Could you tell me about your experience of making decisions about a new international market entry for your firm when you felt anxious?”*; *“What are possible consequences of failing? Can you afford these consequences? What would you do if you fail? Do you think other SME owners experience fear of failure when they look at entering new international markets? Have you ever experienced something similar yourself?”*

### **3.2 Interview strategy**

Two pilot interviews were conducted to test data collection protocols and these were excluded from the data set used in the analysis. Only minor changes were needed in adapting the process for the main study, such as rewording the tone of a question or a few vocabulary issues. I interviewed 22 participants for the main study (4 interview transcripts were removed at the data analysis stage, which is explained in the next section). I, as the interviewer, and each participant had 30 minutes' in advance to build interpersonal rapport for mutual trust to be established (not audio-recorded) before commencing a formal audio-recorded interview. During this phase, I took notes and filled in the questionnaire noting the participant's firm's background. The duration of most IPA interviews is one hour (Pietkiewicz & Smith, 2014). The average duration of each interview (not including the rapport- building time) is approximately 1 hour and 20 minutes, similar to most IPA-based studies (Pietkiewicz & Smith, 2014). After each

interview, the recording was transcribed into Mandarin. The researcher then emailed it to participants for checking. I also made notes about the implicit meaning of Chinese expressions used by the participants, such as common metaphors and proverbs. For example, a few participants use the metaphor 'try the water' (wade into unknown water) referring to the uncertainty of internationalisation. Where necessary, I followed-up any ambiguity or confusing expressions to seek clarification via phone. Finally, each Mandarin transcript was translated into English while the length of each English transcript ranged from 10,000 to 15,000 words. Each SME owner's story is builded up as a case study (Appendix 5). The above table 3-3 shows the collected data on SMEs in China.

**Table 3-3 Information about Participants' Firms**

<i>Participants *Coded names</i>	<i>Venture start in (Year)</i>	<i>Commenced international ization in (Year)</i>	<i>The last international market (Year)</i>	<i>International revenue (%) and yearly revenue (RMB:Million)</i>		<i>No of staff</i>	<i>International Markets</i>
<b>Participant 1*</b>	2009	2009	2012	75 -100	10-15	50	USA, UK, Canada, Germany, Japan
<b>Participant 2*</b>	2014	2015	2017	60-70	>15	150	USA, Australia, Canada, Germany
<b>Participant 3*</b>	2006	2009	2014	25 -50	10-15	66	USA, Australia, New Zealand
<b>Participant 4*</b>	2010	2011	2011	75 -100	< 1	27	Vietnam
<b>Participant 5*</b>	2008	2012	2016	25-50	>15	170	South Africa, Bangladesh, Canada
<b>Participant 6*</b>	2009	2009	2012	55	10-15	70	Burma, Cambodia, Romania
<b>Participant 7*</b>	2013	2013	2013	75 -100	>15	38	USA
<b>Participant 8*</b>	2010	2010	2015	75-100	1-5	22	Russia, Ukraine
<b>Participant 9*</b>	1996	1998	2014	40	>15	138	Malaysia, Gabon, Cameroon, Congo, Singapore, Sri Lanka, Australia
<b>Participant 10*</b>	2001	2003	2016	50 -75	>15	150	USA, France, UK, Holland, Australia
<b>Participant 11*</b>	2015	2017	2017	> 90	>15	68	Australia, India
<b>Participant 12*</b>	2012	2012	2016	40	< 1	28	Russia, Malaysia, Japan, South Korea
<b>Participant 13*</b>	2004	2006	2016	25 -50	5-10	64	USA, UK, France, Italy, Norway Afghanistan Brazil

<b>Participant 14*</b>	1996	2006	2016	50 -75	>15	42	Nepal, Philippines, India, Italy, Cambodia
<b>Participant 15*</b>	2002	2002	2017	100	1-5	48	Australia, USA, Canada, Spain, Italy, Japan
<b>Participant 16*</b>	2000	2005	2015	50 -75	1-5	20	United Arab Emirates, Africa, UK, Canada, USA, Congo
<b>Participant 17*</b>	2000	2000	2014	30	1-5	26	Burma, Laos, Vietnam, Thailand, Japan, Singapore
<b>Participant 18*</b>	2015	2015	2015	75-100	< 1	38	Australia

### 3.3 Data Analysis

An IPA has clear guidelines and procedures to ensure valid and reliable outcomes (Smith & Osborn, 2004). The analytical process involves making sense of each participant's meaning along with asking critical questions, such as the nature of fear of failure in this study, so that "the data can speak for itself"; however, description is necessarily followed by interpretation (Eatough & Smith, 2008). Similar to other qualitative research techniques, an IPA study does not deliver generalisability of results but offers a rich contextualised explanation of theory applied to real-life phenomena (Conklin, 2007; Cope, 2005, 2011).

To analyse the data, an inductive approach is warranted for creating a rich understanding of data analysis and demonstrating the rigour of qualitative research. According to the IPA analysis process (Pietkiewicz & Smith, 2014) and the application on analysis on 'learning from failure' (Cope, 2011; Kempster & Cope, 2010), I entailed the level of analysis from an inductive approach via following steps: (1) Familiarisation/gaining insights via multiple reading and making notes: I read through interview transcripts several times to acquaint myself with the data. I review both Mandarin and English transcripts while listening to the audio-recordings multiple times. Consequently, four transcripts were removed from the data set due to a lack of clarity in these participants' articulation of fear of failure experience. Some participants were reluctant to answer questions about fear of failure so turned to say something irrelevant instead. (2) Immersion and sense-making: I immersed in the data to explore its content and meaning, the context of the verbal expressions, and making sense of the interview dialogue by producing the initial interpretative comments. Interpretation is a transformation that refines and clarifies meanings from an object's experience (Denzin &



Lincoln, 1994). This study draws upon the IPA (Smith & Osborn, 2004) to examine each transcript in order to identify critical descriptive codes based on represented statements and participants' stories (Smith & Osborne, 2015). The researcher's interpretations are considered in the process of analysing the IPA research (Pietkiewicz & Smith, 2014, p. 7), in order to fully understand the participants' experience. The interpretation of the qualitative data focuses on exploring the meanings attributed to the phenomena, such as how an individual experiences events to make sense of the world (Silverman, 2015).

(3) Categorisation: this step was to transform the opening coding notes for each case into emergent themes (basic themes) and group these into clusters (organising themes) according to conceptual similarities (Pietkiewicz & Smith, 2014). At this step, I interpreted the meaning of information and collated descriptive codes that share some common meaning. Then I coded the data into the basic themes via transforming notes into emergent themes: the meaningful units emerged spontaneously from the raw data.

(4) Association/ pattern recognition: another of coding data into 'global themes' aims at seeking relationships and clustering themes. I identified patterns across cases and achieved a more advanced level of conceptualisation (global themes): they represent the key theoretical understanding referring to the research question and the theoretical framework.

(5) Interpretation/presentation: writing up a narrative account of the study in presenting the research finding.

(6) Explanation and abstraction: a discussion section involving enfolding existing literature is presented in the section of discussing research finding. Table 3-4 shows how the researcher develops the data structure. It presents the outcome of this analytical process, including emergent themes and cluster themes from the research.

**Table 3-4 Data Structure for Paper 2**

<b>Basic themes</b>	<b>Organizing themes</b>	<b>Global themes</b>
1. Uncertainty of Information accuracy 2. Environment unfamiliarity	Uncertainty of internationalisation	Environmental stimuli: risk and uncertainty
3. Economic risk in the home country 4. Economic risk in the host country 5. Institutional risk in the host country 6. Bilateral Political tension 7. Host country degrades outsiders	Internationalisation contextual risk	
8. Product unfits overseas market 9. Short product life cycle 10. Deceived by the overseas network	Internationalisation operation risk	
16. Feel worried 17. Feel disappointed 18. Feel low 19. Feelings anxious 20. Feel scared 21. Feel frustrated	Negative feelings	
21. Lack of internationalisation knowledge 22. Lack of international experience 23. Lack of ability to control the situation	Decision-maker's limitations: knowledge, international experience and ability to control	Cognitive assessment on the current situation: failing to manage risk and uncertainty
24. Difficult to gain financial support and bank loan 25. Lack of resource 26. Vulnerability 27. Low added value and low-profit margin	SME disadvantage	
28. Break capital chain	Financial harm to the firm	

29. Sunk cost of early investment 30. Lose time to pursue other opportunities for business development	Opportunity cost	Cognitive assessment of the future consequence: failure of entering an international market
31. Reputation damage 32. Upset important stakeholders 33. Disappointing family members	Decision-maker loses social respect	
34. Negative judgement on oneself 35. A waste of one's effort 36. Lose the business owner's personal wealth	Decision-maker loses motivation	
37. Impede future career development	Decision-maker loses hope	

## 4 Findings

The purpose of my study is to explore *the emotional and cognitive aspects of fear of failure experience when making internationalisation decisions by SME owners in China*. The findings from the data analysis are organised around three global themes: (1) environmental stimuli: risk and uncertainty; (2) emotional expression of fear of failure, (3) sources of the fear of failure: failing to implement and (4) sources of fear of failure: consequences of failure. Each global theme contains several sub-themes. I start from reporting the finding on the following sequence: what triggers the feelings, how they feel at first, why they feel this way. I support the data analysis with representative evidence in table 3-5 and table 3-6.

### 4.1 Environmental stimuli: risk and uncertainty

#### 4.1.1 Uncertainty of internationalisation

The research finding informs that uncertainty and risk in internationalisation are environmental stimuli to the decision-maker, triggering a fear of failure emotion. SME owners perceive risk and uncertainty in internationalisation as obstacles. For example, a

SME owner's quote explained his understanding of uncertainty clearly: "*It seems to move forward currently. I do not know in the future (Participant 13\*)*". His quote indicates the inability to predict future results corresponding to the changing environment. First, participants are uncertain about information accuracy, making them feel suspicious: "*A disadvantage! The problem in Europe is the foreign language as an obstacle. The true information matters with unfamiliar markets. Due to cultural reasons, we are born with a sense of fear of new things. We behave conservatively due to fear of failure*" (Participant 5\*). The quote highlights a fear of the unknown. Apart from the foreign language barrier, Participant 16\* supports this view by showing concerns about the information mismatch between the domestic environment and the international market: "*How to evaluate? The information we got in domestic China does not match with overseas markets*". Additionally, Participant 13\* continued explaining environment unfamiliarity: "*I'm afraid of failure. Such feeling is because I'm not familiar with the international market, local laws, customs... I'm not fitting with these markets*". Indeed, uncertainty of information accuracy and environmental unfamiliarity shape how decision-makers assess new international markets: "*we don't have data when exporting a new category of products. So I can only rely on my intuition to make judgments. The risk is so big. How can I convince myself and my company to enter these markets?*" (Participant 1\*). Even worse, fear of failure also has a detrimental impact on the decision-maker's confidence: "*If I experienced some uncertainties in one or two years or even short-term, I have no confidence to continue going*" (Participant 12\*). He indicates his inability to respond to the constant changing environment in the long-term. Participant 18\* used the term 'gambling' as a metaphor to describe his uncertainty about the decision outcome: "*Every business owner fears failure. Everyone has a gambler nature. I think every business opportunity is a gambling game.....in addition to risks, there are accidents.*"

#### 4.1.2 Internationalisation contextual risk

Inherently, risk is embedded in internationalisation, including contextual risk and operational risk. First, contextual risk relates to the home country's economic environment, as Participant 5\* noted: *"A big part of the domestic policy instability. I need to expand foreign trade to resist to the domestic market instability. The economic situation (in China) is sometimes good, sometimes not good"*. Similarly, Participant 18\* claimed *"small business has already grown to their extremes. They have no more space to grow in the domestic market. They have to break the limitations of this geographical area"*. The above quotes suggest that the home country's instability pushes SMEs to internationalise. On the other side, local risks are also linked to the host country: *"It happened to me that I hit the financial crisis at that time. The financial crisis made the overseas markets decline"* (Participant 13\*). Participant 6\* expressed the institutional changes and political challenges in the host country: *"The irresistible factors are mainly foreign political risks and economic risks. We may be not entitled to exploit this market (unfair treatment by the host country's Government)"*. Consequently, participants find themselves 'sandwiched' between the home country and the host country, suffering pressure from both sides.

Additionally, the political tension between the home country and host country may generate internationalisation obstacles. Currently, the economic war between the USA and China runs the top of participants' heads. In particular, some participants have directly expressed a fear of US. President Trump's policy in relation to China: *"Trump increased the tariff or prohibition of entry. Trump set this anti-globalisation policy. Then the international business may have a significant change. The failure is very likely to happen"* (Participant 1\*). Notably, with the awareness of political issues over time,

participants in this research, Participant 1\*, Participant 2\*, Participant 4\* Participant 7\*, Participant 8\*, Participant 9\*, Participant 15\* worry about the potential future practices and their possible illegality in the host country. Furthermore, the tension between the USA and China has implications for how participants perceived by other international markets: *“Vietnam admired the United States. If the United States gave a bit blood to Vietnam, they will against us... no need to against the overseas government. No way to run out. It’s a policy factor”* (Participant 4\*). Therefore, it is obvious that political turbulence is raising concerns in the context of making internationalisation decisions. In addition, decision-makers perceive that the host country may be perceived to degrade outside trading partners, so giving rise to negative emotions in those invoked in international trade: *“The same skills, the same ability, but the value of foreign people is perceived as higher than the Chinese people. It hurts me deeply”* (Participant 7\*). In fact, the underlying reason for their negative emotions may well be that Chinese SME owners perceive that it is the western countries who set the ‘*rule of games*’ (Participant 16\*) in internationalisation, explained as follows:

*The failure of an international market does not only mean a simple failure event in that situation. It includes the competition between two countries, the protection of local business by their government, exchanging benefits at an unequal position, gaining profits through cooperating with foreigners..... I cannot define a failure just according to the fact of not making profits. Eventually, ‘failure in a new international market’ becomes a must-happen consequence* (Participant 16\*).

Participant 16\* interprets ‘failure in the internationalisation’ notes a capital consequence, such as profit or revenue gain or lose. But it is an insinuation that the host country degrades outsiders, leading to unequal exchange and unfair treatment in the

internationalisation environment.

#### 4.1.3 Internationalisation operation risk

SME owners perceive the risk in relation to their international business operations. First, SME owners are concerned about the risk relating to their product, including product unfit for overseas markets and products with a short product life cycle. Participant 11\* indicated that culture could be a factor leading to operational risk: *“I think this is a cultural difference between China and the West. It’s rooted in a very deep level. I believe there is never a solution.”* Participant 10\* indicated the risk of keeping up with a short product life cycle: *“The main challenges are short product replacement cycle”*. Second, SME owners are concerned with operation risks from interacting with overseas networks, including experiences of being deceived by overseas networks and ineffective communication. *“It is the first time for me to enter this market. I’m not familiar with overseas partner. The trust between people starts with mutual suspicion”* (Participant 17\*). SME owners perceive the possibility of losing money if deceived by an overseas network: *“Business people fear mainly is that I encountered some foreign clients. I was afraid of my money not coming back”* (Participant 2\*).

#### Table 3-5 Representative Evidence: Environmental Stimuli: Risk and Uncertainty

##### **Uncertainty of internationalisation**

Participant 14\*: *Fear of failure may be due to a language disadvantage and no network of contacts...I do not understand the local language, leading to a misunderstanding. I fear especially in an unknown place. The main reason for failure is due to some problems caused by weak communication. Sometimes cultural differences lead to different views.*

Participant 8\*: *Just like my small and medium-sized enterprise. The greatest risk is that I’m not familiar with the market share. The amount of money that I earn is very limited.*

### **Internationalisation contextual risk and operation risk**

Participant 18\*: *The risk and uncertainty making me fear, is from governmental institutions. The most scaring factor is the relationship between the two countries. I always read global news. If any country has political disagreement even war with China, my products will become useless in that market, and no matter how good my product is. This issue makes me feel helpless. It's something that I cannot control.*

Participant 7\*: *Short (product life) cycle, and higher cost. We are a very realistic company. Some business that only big companies do it, while small companies cannot do. The cost (capital) of large companies is high. And our money is limited.*

## **4.2 Emotional expression of fear of failure**

Various SME owners referred to their negative feelings in response to the environmental stimuli: risk and uncertainty as obstacles to internationalise their SMEs. Participant 9\* said, *"I worry when I am not sure about the risk"*. It leads to an emotional response to the potential crisis resulting from uncertainty: *"What made me extremely fear is that I was completely unknown when encountering the problem"* (Participant 7\*). Similarly, Participant 6\* stated: *"I worry about the failure of this opportunity"*. *"We started the business from zero. My heart feels scared"* (Participant 13\*). The continuous psychological symptoms of the fear of failure is obvious, damaging a decision-maker's wellbeing. Participant 13\* expressed: *"But the mental loss, I feel very low, very disappointed"*. Participant 16\* echoed, *"Of course, I have a frustration feeling. Very disappointed! Very frustrated!"* Furthermore, the cognitive disruption shows as hesitating to make internationalisation decisions: *"The big pressure affects me assessing international business opportunities. I do nothing but take a break. I never make a decision at this time. I feel my heart is "haggard"* (Participant 7\*). Based on the above illustrative quotes, fear of failure is articulated as negative emotional expressions.



### 4.3 Cognitive assessment of the current situation: fear of failing to manage risk and uncertainty

The 4.3 section entails how the individual's cognitive assessment was shaped by emotionally relevant events, threats to the decision-maker and the firm (SME). It explains why SME owners fear failure in the context of making international business decisions. My finding demonstrates that failing to manage risk and uncertainty is the source of fear of failure, including the SME decision-maker's limitations and the disadvantage of their venture).

#### 4.3.1 Decision-maker's limitations: knowledge, international experience and ability to control

SME owners perceive their capability is limited to manage risk and uncertainty in an international market, including a lack of international knowledge, experience and ability to control the situation. Participant 8\* claimed *"but my skill is insufficient"* to explain it. Participant 16\* indicates a lack of internationalisation knowledge: *"My example of the fear of failure: I went to the London trading centre to buy electrolytic copper and I didn't know the rules of the game there. I came to do business in their place. I was in a disadvantaged position to understand their law, language and culture. Failure is a possible result while success is difficult to achieve... I fear failure of entering an unknown market. Possible failing? I don't need to say 'possible'. I would fail without any doubt..."* Participant 2\* continues explaining a lack of internationalisation knowledge and experience: *"Most of China's factories do not know how to do the international trade. When they evaluate a business opportunity, they certainly feel scared and fear failure. I'm scared because I do not understand their knowledge"*. Participant 2\* mentioned *'most of China's factories'* rather than indicating himself only. Similarly, Participant 15\*

continues attributing difficulties to external factors: “*We are all first-generation entrepreneurs in China. Only three or four decades for the Chinese to reform and open up. I worry about exploiting the international market*”. Thus, it seems that participants tend to shift the cause to China’s historic background rather than admitting the individual’s inability to engage with internationalisation. It implies the *‘fear of losing face’* in China’s culture. As a consequence of lacking knowledge and experience, SME owners perceive a lack of ability to control the situation: “*I prefer to let the international opportunity go when I think I cannot control it*” (Participant 12\*). Participant 12\* indicates that the option of ‘missing the boat’ is preferable to him rather than ‘sinking the boat’ corresponding to managing risk and uncertainty in internationalisation. Participant 3\* also fears the uncontrollable risk: “*The most horrible, terrible risks are systematic risk and (host) country risk. Because these two risks are difficult to control, no matter how smart I am or how much preparation our enterprise did. We fear the risk*”. Thus, SME owners perceived limited capability in managing risk and uncertainty in the internationalisation, which is a critical source of the fear of failure.

SME owners perceive failing to manage risk and uncertainty due to the disadvantages of SMEs. The first reason is the difficulty in gaining financial support and bank loans, as a small business: “*big enterprises like state-owned companies, have strong financial resource to invest, and strong government. They might have a small chance to win. Many Chinese enterprises came to Australia. Who gain profit? No! You hear a lot of failure examples*” (Participant 16\*). Participant 12\* also said, “*If I do not get the loan, I should give up this opportunity and make the (international market) entry next time*”. Participant 12\* continues to explain the disadvantages of SMEs from a lack of resources: “*I think China's small and medium enterprises do not have capability to go out because they lack: resources and experience. It is inevitable for me to fear failure to enter an*

*unknown market*". Due to a lack of resources, Participant 15\* perceives failing to manage risk and uncertainty: *"Facing business opportunities, I do not have enough competitive strength to seize it... In the risk case of saturated foreign trade orders, we have to expand the production volume to meet their demand. I don't want to do so because it costs too much for me"*. Participant 6\* explains the vulnerability as one of the SME disadvantages, due to the inability to afford the consequences of failure: *"They are afraid (of failure). Small and medium enterprises lack national political support compared with big enterprises. And they lack technical support in all aspects. But the Chinese entrepreneurs have the spirit of adventure, and they endure hardship. However, they can't make a comeback after the failure. It is a big problem"*. In addition, Participant 3\* explains the SME's disadvantaged business model as one of low added value and low-profit margin: *"the cost is dramatically increased but the originally estimated profit margin is down. The profit is gone after calculation. Therefore, it's an investment failure"*. Participant 16\* added one more point to SME disadvantages: *"I can only rely on selling cheap labour force."*

The above reported empirical evidence indicates that both the SME owners' limited capabilities and disadvantages as SMEs are sources of failure, failing to manage risk and uncertainty in internationalisation.

#### **4.4 Cognitive assessment of the future consequence: failure of entering an international market**

This section entails the cognitive assessment of the future consequence: failure of entering international market, both represented as threats to the decision-maker and their firm. Table 3-6 summaries the representative quotes from participants.

**Table 3-6 Representative Evidence: consequences of failure**

<p><b>Representative quotations and Organizing themes</b></p>
<p><b>Financial harm to the firm</b>                      Participant 3*: <i>Whether small and medium-sized enterprises entrepreneurs or big enterprise entrepreneurs, or individuals' investment, they all fear failure, and no one is not afraid of failure. Failure will generate the greatest harm to the enterprise, most powerful hurt.</i></p> <p>Participant 18*: <i>I feel I earn money, but they are just numbers on the financial account. I cannot cash out capitals. No circulating fund. Therefore, I say failure in international opportunity is dreadful.</i></p>
<p><b>Opportunity cost to the firm</b>                      Participant 7*: <i>They mainly fear business losses, capital chain or investment does not come back.</i></p> <p>Participant 14*: <i>I began to expand a new overseas market. As a consequence of failure, I suffer the loss of my own time and financial resources. The consequences would be very dangerous if I failed because it has a great impact on the company's earnings.</i></p> <p>Participant 11*: <i>Once they fail, the early investment is also drowned.</i></p>
<p><b>Decision-maker loses social respect</b>                      Participant 7*: <i>Not being integrity is the biggest business failure.</i></p> <p>Participant 1*: <i>But they may fear failure if they have family members. They need to consider, even though the possibility of succeeding an IO is 99% if 1% failure occurs, what's going to happen for their children and wife.</i></p>
<p><b>Decision-maker loses hope</b>                      Participant 9*: <i>"The failure of the project would affect my career or direction in the future. A big worry".</i></p> <p>Participant 18*: <i>"people fear failure because they realize that they have no choice but to work others if they fail in their business. They have to abandon their business dream and return to reality. The more fear of failure, the higher possibility of failure".</i></p>

#### 4.4.1 Consequence to the firm: financial harm and opportunity cost

SME owners fear financial harm to the firm due to the consequences of failure. This section outlines that making internationalisation decisions is about predicting future returns, including evaluating the gains and the losses of future international market entry. *“I fear the capital chain breaks”* (Participant 2\*). The failure of entering a new international market brings a serious financial threat to the firm’s survival: *“If I fail, my business may not be there anymore. I do not have anything. I do not have the opportunity to stand up”* (Participant 15\*). Additionally Participant 12\* indicates that failure, in consequence, affects the firm’s total assets: *“failure means that I lose all of the previous accumulation. A severe consequence! We are now an export-oriented enterprise that my energy is all turned to extroversion; it means that many years' accumulation will be lost if it fails”*. Participant 9\* said the loss of a whole business may be a consequence of failure: *“If I fail, I have to go back to the starting point again”*. Furthermore, SME owners fear losing the cost of early investment, as Participant 15\* said: *“The cost of this investment cannot be recovered. Can we withdraw this market?”* In the meantime, SME owners fear their SMEs losing time when they could pursue other opportunities for business development. A statement explains the opportunity cost not only refers to financial assets, but also to an individual’s time and effort: *“failure of opportunity means the loss of time, the loss of wealth and business development. I bear the failure result. And I lose the time to get other opportunities. My business is not adding value”* (Participant 3\*). SME owners interpret ‘not earning profit’ also as a consequence of failure, because they have wasted the capacity for other business development: *“They fear failure when they go to international markets. The reason for this fear feeling is due to fear of losing money. Businessman fears failure when they are not making a profit”* (Participant 16\*).

#### 4.4.2 Consequence of failure to the decision-maker: loss of social respect, motivation and hope

SME owners interpret the consequences of internationalisation failure as a threat to themselves, including losing social respect, motivation and hope. Expansion into internationalisation may not be the decision maker's only expectation. They may see themselves as also responsible for looking after the interests of the people around them. As business owners, SME owners are responsible for the firm's strategic progress in order to satisfy multiple stakeholders, as well as their family interests and the household. The following quotes reflect the degree to which SME owners care about other people's views of their potential failure. They fear reputational damage and loss of social respect: "*All businessmen have their own reputation so that people are willing to do business with you*" (Participant 4\*). Others express concern over potentially disappointing important stakeholders: "*We cannot do it. We do not feel this thing is right for the company. I saw some companies. They did a bad job of influencing the company*" (Participant 18\*). SME owners fear failure if they are not meeting family members' expectations: "*But I fear failure because I have family and friends. A lot of misgivings would affect my decision*" (Participant 1\*). Fear of failure links to the SME owner's emotional ties with their commitments to other important people, with a fear of leading to a result of losing social respect. Therefore, the decision-maker's assessment and judgement relating to the internationalisation of a firm could potentially expose them to the comments or even criticisms of the third parties.

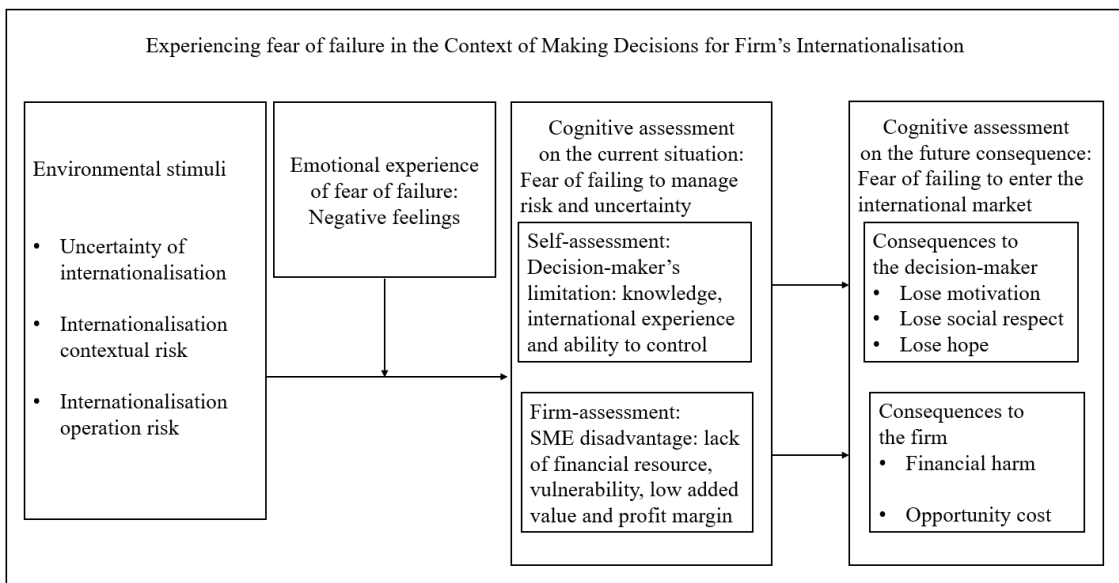
In addition, SME owners may lose hope due to their interpretations of failure as a potential consequence of internationalisation and as a threat. For instance, failure generates negative judgement on oneself, even devaluing of oneself: "*The more serious failure, the more serious blow to self-esteem*" (Participant 5\*). Also, the consequence of failure implies self-doubt, as Participant 16\* said: "*It is about I put efforts very hard but still have a problem*". Participant 1\* mentioned that coming top of the list of

internationalist businessmen, as a result of his hard efforts, could be easily sabotaged by the consequences of failure in the internationalisation process: *“If we are out of stock, we get a lot of damage on Amazon because our listing will go down”*. Furthermore, a consequence of failure in internationalisation will lead to losing the business owner’s personal wealth: *“If I fail, my business may not be there anymore. Yes, I don’t have anything. I don’t have the opportunity to stand up”* (Participant 15\*). As such, SME owners interpret failure as a consequence in internationalisation as impeding their future career development: *“Once I set foot on the road to set entrepreneurial business, it is tough for me to return to the ordinary work, working for other people”* (Participant 1\*). Participant 7\* expressed a similar view: *“Failure in a new international market ' is that I have nothing to do anymore. Nothing. I’m basically ‘over’. Basically, a different way of retirement”*. The findings uncover that SME owners are emotionally attached to the consequences of potential failure in internationalisation, making them lose hope.

## **5 Discussion and the Conceptual Development**

The findings reveal the complex fear of failure experiences according to Chinese SME owner’s unique internationalisation stories. My analysis of interview data noted the emotional and cognitive aspects of fear of failure in the context of making internationalisation decisions. Crucial components are outlined: risk and uncertainty as environmental stimuli, emotional expression of fear of failure, and cognitive assessments on the current situation and the future consequences (perceived threats to the individual decision-maker and the firm): failing to manage risk and uncertainty, and failing of entering an international market. A conceptual framework emerged as the result of data analysis and theoretical discussions (Figure 3-2).

**Figure 3-2 the Conceptual Framework of Experiencing Fear of Failure in the Context of Making Internationalisation Decisions**



I argue that the individual decision-maker is the core essence of the internationalisation process of a firm because their emotion and cognition are interrelating factors inherent in the fear of failure experience, in determining internationalisation decisions and in subsequently driving the firm's internationalisation outcomes. Instead of viewing fear of failure as a single emotional factor, my findings indicate that fear of failure is of its experienced nature, which is an inherent part of making internationalisation decisions.

First, my research answers 'where fear of failure comes from' by uncovering key detrimental environmental stimuli: (1) uncertainty of internationalisation; (2) internationalisation contextual risk and (3) internationalisation risk. Risk and uncertainty are embedded in the internationalisation environment (Liesch et al., 2011) and are critical to a decision-maker. The decision-maker perceives risk and uncertainty as obstacles to internationalising their SMEs, including 'what they don't know' and 'what they know'. For instance, uncertainty in the internationalisation environment means to a decision-



maker 'what they don't know', including uncertainty of information accuracy and environment unfamiliarity. These factors are obstacles to SME owners in making decisions and predicting their decision outcomes. My findings support that uncertainty over information accuracy (McMullen & Shepherd, 2006) is also important in internationalisation. Unlike the domestic environment, SME owners engage in internationalising encounters environment unfamiliarity as an uncertainty. The strategic choices of and within international markets involve operating in an unknown or unfamiliar international environment with a greater likelihood of failure (Sapienza et al., 2006). Furthermore, internationalisation contextual risk and operation risk rely on a decision-maker's cognitive assessment of 'what they know'. The decision-maker is aware that they are dealing with contextual risk to internationalise their venture, including economic risk in the home country and host country, institutional risk, bilateral political tension and host country potential to 'degrade' outsiders. In particular, the contextual risk is entirely beyond individuals' control. By comparison, operational risks relate to the owner's future-oriented estimation of their SMEs' internationalisation operation, including products that may be unfit for the overseas market, short product cycle and deception by the overseas network. This category of risk contains a high possibility of disruptive events in the future. Hence, it is reasonable to expect that-that the role of trust in the internationalisation commitment (Chetty & Holm, 2000) and trust building, is prioritised in the change aspect of the IP model (Johanson & Vahlne, 2009). As such, our finding supports that making decisions to enter an international a market is a dynamic process involving the individual's judgements and beliefs with regards to external events, situations and circumstances.

The finding demonstrates the contextual nature of the fear of failure by explaining its relationship with environmental stimuli. Risk and uncertainty generate unfriendly

environment cues to constrain decision-making and thereby triggering the emotional expression of fear of failure. Emotional expression of fear of failure comes as a mix of negative emotions, including a combination of negative feelings of worry, disappointment and anxiety. Thus, 'feeling down' is a part of making internationalisation decisions which the SME owner cannot ignore as inevitably associated with the interaction between cognition assessment on the external environment and emotions. Our findings lead to the following proposition:

**Proposition 1:** In the context of making the internationalisation decisions of a firm, the SME owner perceives risk and uncertainty as related to environmental stimuli, triggering emotional expression of fear of failure.

The finding indicates that decision-making is still a result of one's sense of experiencing emotions. Emotional expression of fear of failure is shaped by environmental cues, in turn offering feedback to an individual's cognitive assessment, leading them to interpret risk and uncertainty as threats to the self and the firm. When experiencing fear of failure emotionally, SME owners tend to build a cognitive link between the environmental stimuli of risk and uncertainty to oneself and the SME. For example, the decision-maker is more likely to see his/her limitations under the emotional impact of fear of failure, including lack of internationalisation knowledge and experience and the ability to control the situation. It highlights the need for risk management in internationalisation (Clarke & Liesch, 2017). When SME owners perceive an opportunity as less feasible due to a lack necessary information and the requisite knowledge about a specific opportunity (Krueger & Carsrud, 1993; Mitchell & Shepherd, 2011), limited experience and skills to drawn when entering a new international market (Manolova et al., 2002). Additionally, they are more likely to see their SME's disadvantage, including

difficulty in gaining financial support and loans, lack of resources, vulnerability, low added value and low-profit margins. As such, SME owners fear failing to manage risk and uncertainty. The proposition is as follows:

**Proposition 2:** The decision-maker's cognitive assessment on the current situation is shaped by the emotional experiences fear of failure negatively. The decision-maker perceives the fear of failing to manage risk and uncertainty due to his/her limited knowledge, international experience and ability to control the situation; as well as the disadvantage of small and medium-sized enterprises, including lack of financial resource, vulnerability, low added value and profit margin.

The finding notes that fear of failure has impacts on how a decision-maker interprets the consequences of internationalisation failure, both economically and socially, because failure to achieve an aim in a business context, is complex. The future-oriented outcomes of their internationalisation decision are two-fold, including the consequence to the firm as well the consequence to the individual. First, the finding suggests that fear of failure links to the evaluation of gains versus losses (Morgan and Sisak, 2016), concerning the financial harm to the firm such as a break in the capital chain. The damaging consequence of breaking the capital chain implies the possible risk of 'sinking the boat' (Mullins & Forlani, 2005). Additionally, when experiencing fear of failure, the decision-maker is more likely to believe the negative consequences, that the firm would likely lose the opportunity, sink the costs of early investment, and lose time to pursue other opportunities for business development. As such, fear of failure decreases the SME owner's confidence in the potential international market entry, which refers exclusively to an individual's negative evaluation (Davidsson, 2015).

Moreover, SME owners are more likely to believe they would lose motivation,

social respect and their hope if internationalisation failure occurs. The finding indicates that Chinese SME owners fear reputational damage, upsetting important stakeholders and disappointing family members, which are overarching to their personal value of 'fear losing face' (Ho et al., 2004). It supports that fear of failure implies a belief that failure leads to distress important others or make them lose interest in oneself (Conroy et al., 2007). The finding also indicates that the decision-maker fears losing hope, including the following consequences: the potential negative judgement on oneself, a waste of one's effort, loss of the business owner's wealth and impediments to future career development. Fear of failure shapes an individual's self-judgement and the perceptual outlook of a situation: they tend to feel being threatened and a judgment of the self (McGregor & Elliot, 2005). Thus, fear of failure is an individual's self-evaluative framework that determines how they will define, orient to and experience failure in achievement situations (Heckhausen & Baltes, 1991). The above arguments lead us to conclude the following proposition:

**Proposition 3:** The decision-maker's cognitive assessment on the future consequences is shaped by the emotional experiences fear of failure negatively. The decision-maker interprets the consequences of failing to enter an international market as leading to detrimental impacts on the firm, with financial harm and opportunity cost, as well as making an individual lose motivation, social respect and hope.

## 6 Conclusion

This study seeks to uncover SME owners' emotion and cognition when experiencing fear of failure in the context of making internationalisation decisions. The empirical finding of this study adds weight to an explanation of fear of failure as experienced by an individual decision-maker in an international business setting. My

hope is that this study offers one of the initial efforts to explain the constantly ongoing emotional and cognitive aspects of the fear of failure experience in internationalisation research, contributing to the scholarly conversations of ‘connecting people to internationalisation’ (Coviello et al., 2017) and ‘emotion and internationalisation’ (Meyer & Gelbuda, 2006; Van de Laar & De Neubourg, 2006). It contributes to existing knowledge in from following perspectives:

First, this study explains the relationship between the individual decision-maker and the internationalisation environment. Although existing research outlines the importance of SME owners to the micro-foundation in internationalisation (Coviello et al., 2017) and risk management in internationalisation (Clarke & Liesch, 2017), I demonstrate how SME owners perceive risk and uncertainty as environmental stimuli, cueing their emotional response of fear of failure. Furthermore, SME owners interpret these obstacles emotionally as threats, linking to oneself and to the business venture. My framework extends the IP Model from the perspective of fear of failure, highlighting the role of the individual decision-maker. The finding of this study is also complementary to Dow et al. (2018)’s finding on managers’ commitment decisions directing the internationalisation of their firms. This paper uncovers the emotional impact in addition to cognition in making internationalisation decisions.

Second, my exploration offers a comprehensive contribution to explaining an individual’s emotional experience of fear of failure, underpinning the interaction between the emotion and cognition of decision-making, pertinent to the embedded environment, which is largely ignored by most internationalisation studies. My research contributes to extending the understanding of the fear of failure phenomenon (Cacciotti et al., 2016) in a new context of international business. While a large number of studies view the fear of

failure as a single factor and thus test it statically, I explore the dynamic nature of fear of failure experience using a qualitative method. This study offers new insights to explain the contextual meaning of the fear of failure in the internationalisation environment. Thus, the findings of this paper identify the sources of fear of failure, including failing to manage risk and uncertainty, and the consequences of internationalisation failure. The finding uncovers the multifaceted fear of failure experience, including emotional expression of fear of failure and cognitive assessment of economic consequence, including financial harm to the firm and loss of opportunity. The finding also illustrates how SME owners view themselves and their ventures: they are more likely to see the decision-maker's limited capability and SME disadvantage under the emotional impact of fear of failure. Moreover, this paper adds value to the social perspective of the fear of failure (Wennberg et al., 2013) by explaining SME owners' fear of losing social respect.

This study is not without limitations. To further explore this complex phenomenon, I encourage quantitative researchers to test our model further to develop herein. Although I answer 'experiencing the fear of failure', an obvious limitation of our study is the absence of answering 'so what?' concerning the behaviour response (Cacciotti et al., 2016). A noted limitation is that this study does not look at the behaviours response to the fear of failure. More importantly, the finding only shows the inhibiting value of fear of failure in the context of making internationalisation decisions. My assumption is that fear of failure may not be motivating unless SME owners take actions to make a change. Therefore, the next step is to explore a decision-maker's behaviour response to fear of failure. Fruitful directions could be inclusive but not limited to managerial capacities (Andersson & Evers, 2015), learning about the unknown (Parker, 2006), attitude towards failure and learning (Politis & Gabrielsson, 2009). Therefore, it will support the view of 'fear of failure as distributed over time and space' (Cacciotti et

al., 2016) and uncover ‘what happened next’

The finding elaborates Chinese SME owners’ fear of failure experiences in the context of making internationalisation decisions. The finding suggests the response of ‘fear of losing face’ by Chinese SME owners is key; they pay attention to ‘face’ as of the utmost importance. It would be interesting for future research to leverage the contextual richness of internationalisation, such as multiple country contexts or comparative studies between the east and the west concerning the different cultural understandings of fear of failure.

Given the persistent importance of the fear of failure in the internationalisation process, my study yields timely managerial insights for practitioners. First, this study has implications for SME owners’ attention to raise awareness of fear of failure. This study particularly assists Chinese SME owners due to their cultural background of placing extraordinary attention on other people’s views. Furthermore, some policy measures may only fall into regional entrepreneurial activities, such as business start-up support. Yet this level of support seems to be insufficient to meet the needs of globalisation. I encourage policymakers in the domestic market to support SMEs by sharing more information and helping them to better understand risk and uncertainty in international business settings. Although early internationalisation can be a successful growth strategy for a firm, advice given by government sectors or consultants is often negative (Andersson & Evers, 2015, p. 271). Here I am not criticising the negative information, but in turn, this study calls upon the need to support exporting to the public as social support. Finally, I suggest that policy-makers in a given product-destination market reveal an openness to sharing institutional information about global markets, so increasing the informational transparency and accuracy through official channels.

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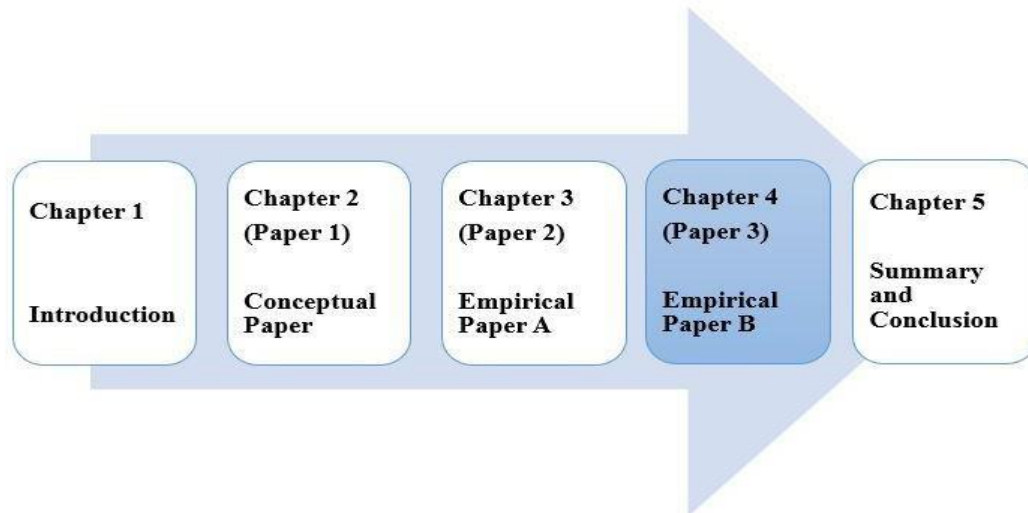
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#### 4. Chapter Learning and Fear of Failure: The Context of Making Internationalisation Decisions by SME Owners in China (Paper 3)



##### **Conference Presentation:**

- This first draft was accepted as a Refereed Delivered Paper (Competitive) and presented at the 32nd Australian and New Zealand Academy of Management (ANZAM) Conference in Auckland, New Zealand, 5th December 2018.

##### **Paper Development Workshop (PDW)**

- This paper (sole-author) was developed at the Emotions and Cognitions in the Rough workshop (ECR) of the 32nd Australian and New Zealand Academy of Management (ANZAM) Conference, 5<sup>th</sup> December 2018.

##### **Other Conference acceptance:**

- This paper (sole-author) was accepted at the competitive session, Academy of International Business (AIB) Conference in Copenhagen, Denmark, June 24-27, 2019.
- This paper (sole-author) was accepted at the Australia and New Zealand International Business Academy (ANZIBA) Conference at the Curtin University in Perth, 11-13<sup>th</sup> February.

## Statement of Authorship

Title of Paper	Learning and Fear of Failure: The Context of Making Internationalisation Decisions by SME Owners in China
Publication Status	<input type="checkbox"/> Published <input type="checkbox"/> Accepted for Publication <input type="checkbox"/> Submitted for Publication <input checked="" type="checkbox"/> Unpublished and Unsubmitted work written in manuscript style
Publication Details	N/A

### Principal Author

Name of Principal Author (Candidate)	KECHEN DONG		
Contribution to the Paper	<p>Identify Research Topic, research question. Perform literature review, methodology, design interview and survey questions. Find research participants. Data collection (go to China for data collection) and analysis. Follow up details with research participants. Wrote the whole Manuscript.</p> <p>First author (sole-author/corresponding author) for conference submission, presentation and corporate conference feedback.</p> <p>Consult visiting scholars and researchers for feedback.</p> <p>Engage with Industry to triangulate the research topic: 2 years voluntarily assist many local communities, NGOs, commerce chambers and other business associations (with volunteer certificate as evidence support). The industry engagement in turn offers feedback on the following key concepts in this paper: International business, fear of failure, learning.</p>		
Overall percentage (%)	100 %		
Certification:	This paper reports on original research I conducted during the period of my Higher Degree by Research candidature and is not subject to any obligations or contractual agreements with a third party that would constrain its inclusion in this thesis. I am the primary author of this paper.		
Signature		Date	11/04/2019

## Paper 3: Learning and Fear of Failure: The Context of Making

### Internationalisation Decisions by SME Owners in China

#### ABSTRACT

Decisions made by the owners of Small and Middle-Sized Enterprises (SMEs) determine their choices of whether to internationalise their ventures, so exposing them to the risks and uncertainty of overseas business environments. The fear of failure often significantly shapes the individual's emotions, cognition and behaviour in making such decisions. Entrepreneurship research suggests that learning, as a behaviour response to fear of failure, is distributed throughout the entrepreneurship process. Learning is also highlighted in the knowledge development processes of the IP model of internationalisation literature. By focusing on the learning that follows specific individual-level behaviour, this paper explores: *how do SME owners learn when experiencing fear of failure in the context of making internationalisation decisions for their firms?*"

By applying Interpretative Phenomenological Analysis (IPA) as a qualitative approach, this study finds that learning is highly adaptive and beneficial in managing the fear of failure experience. An empirical finding demonstrates that fear of failure triggers a decision-maker to learn. Learning is a back and forth process integrating both experiential and social learning methods. First, learning contributes to pacifying fear of failure emotions, and further generating hope of success. SME owners learn via self-reflection after challenging emotional experience and communicating hardship with trustworthy contacts to regain motivation. Second, learning contributes to knowledge



development in gaining clarity of thinking. SME owners search for solutions via self-reflection as well as by absorbing internationalisation information via interaction with others to develop risk and uncertainty management strategies. Consequently, learning enhances SME owners' decision-making capabilities in the internationalisation process when experiencing fear of failure.

As a theoretical contribution, this paper opens a new avenue in learning and international business literature. Its learning framework offers a managerial contribution to the design of training programs, guiding SME owners to learn when experiencing fear of failure. Thus, this study helps SME owners to maintain good mental health when making significant decisions in challenging situations.

**Keywords:** learning, fear of failure, internationalisation

## 1. Introduction

Globalisation of the world economy has created new international opportunities for SMEs. While decision-makers embrace international opportunities from globalisation, their eagerness to internationalise their SMEs (small and medium sized enterprises) could be impeded for various reasons, such as the high failure rates of small ventures (Cope, 2011), unexpectedly decreased involvement in international markets (Lafuente et al., 2015), and even failure in the internationalisation process (Alexander & Korine, 2008). The complexity and uncertainty of the internationalisation presents a challenging environment for making difficult decisions, especially at the early stage of internationalising a firm. When considering aspects of a new international market entry, such as the choice of entry mode (Agarwal & Ramaswami, 1992; Hill, Hwang, & Kim, 1990), evaluating the selection of foreign markets and the degree of internationalisation

(Chandra, 2017b), decision-makers may be overwhelmed by risk and uncertainty (Liesch et al., 2011). As such, decision-makers may experience fear of failure in the context of making internationalisation decisions.

With an acknowledgement of the micro-foundations of the internationalisation process of a firm (Coviello et al., 2017), it is important to realise that any decision or action at the firm-level is made by the people within the organisation (Coviello, 2015). Internationalisation pursuits depend on the individual characteristics of decision-makers (Oviatt, Maksimov, McDougall, 2011), such as behaviour, knowledge and cognition (Jones, Coviello, & Tang, 2011). Nevertheless, there is scant understanding of how individual-level variables may either support or limit the pursuit of new international markets, so creating obstacles to advancing insights into the internationalisation of a firm (Reuber et al., 2018).

Emotion and cognition interplay in framing decisions (Clore & Huntsinger, 2007, 2009; Giorgi, 2017; Smith & Ellsworth, 1985). Empirical evidence demonstrates that emotions are essential to the internationalisation process of a firm (Van de Laar & De Neubourg, 2006), a new venture judgement (Li, 2011), and evaluating opportunities (Foo, 2011; Welpe et al., 2012). Psychology literature and entrepreneurship literature argue that fear of failure has far-reaching effects on decision-making. In entrepreneurship, fear of failure is defined as a “temporary cognitive and emotional reaction towards environmental stimuli that are apprehended as threats in achievement contexts” (Cacciotti & Hayton, 2015, p. 181). It is regarded as an ongoing experience, anticipating an individual’s emotion, cognition and action in the entire entrepreneurship process (Cacciotti et al., 2016). In international business, fear of failure is empirically verified to influence exporting (Alon et al., 2013) and de-internationalisation (Lafuente et al., 2015).

Particular attention has been dedicated to fear of failure due to the significance and complexity of its effect on both inhibiting and motivating entrepreneurial activity, as well as shaping the relevant cognitive processes of individuals (Mitchell & Shepherd, 2011; Ucbasaran et al., 2009; Wood et al., 2014).

While the existing entrepreneurship literature offers many insights into the fear of failure (Cacciotti & Hayton, 2014; Cacciotti et al., 2016), it is critical to move beyond the cause of the fear of failure to understand in depth a decision-maker's behaviour in response to fear of failure. "It is perhaps not that insightful or unique anymore for emotion and cognition research simply to argue-or show-that what people think and feel influences their behaviour, but more insightful to consider how, when and why such cognitions and emotions change" (Grégoire, Cornelissen, Dimov, & Burg, 2015, p. 135). Nonetheless, decision-makers may show aversion to making the transition to internationalisation, such as being reluctant to change their already existing beliefs about their business and the marketplace (Liesch et al., 2011). This paper undertakes a deeper inquiry to explore the decision-maker's behaviour when experiencing fear of failure. It may contribute to uncovering an individual's 'changes' to better handle this stressful situation and further enhance his/her decision-making capability in subsequent internationalisation activities.

The learning perspective may be appraisable to facilitate this research inquiry. Indeed, the learning domain is not limited to the development of knowledge continuously in order to manage new ventures (Politis, 2005, p. 401), or to apply new knowledge to business activities at different stages (Minniti & Bygrave, 2001). The dynamism of learning seems to imply a link with engaging with emotions. In entrepreneurship literature, several empirical studies demonstrate this link, including learning from failure

(Cope, 2005, 2011), entrepreneurs' attitudes towards failure (Politis & Gabrielsson, 2009), and the social learning strategies to manage fear of failure as experienced in entrepreneurship (Cacciotti et al., 2016). Studies have investigated the notion of 'learning from failure' (Cope, 2011; Politis & Gabrielsson, 2009; Shepherd, 2004; Yamakawa, Peng, & Deeds, 2010), which highlight the role of emotion (Grégoire et al., 2015; Shepherd, Patzelt, & Wolfe, 2011). For example, entrepreneurs learn from their decisions, mistakes, experience and their networks for the growth of their SMEs (Deakins & Freel, 1998). Other research highlights the adverse impact that the fear of failure may have in preventing an individual's learning (McGregor & Elliot, 2005).

Some individuals may only learn what they expected to learn and run the risk of missing other parts (Michailova & Wilson, 2008). These arguments are in opposition to the view of learning strategies as helping to manage the fear of failure experience in entrepreneurship (Cacciotti et al., 2016). Thus, from the perspective of an individual's behaviour in relation to learning, the central question guiding this study, naturally arises: *how do SME owners learn when experiencing fear of failure in the context of making internationalisation decisions for a firm?*

This study applies qualitative methodology in its exploration. In order to do so, Interpretative Phenomenological Analysis (IPA) studies are conducted with 18 SME owners in China. The findings of this paper detail how an SME owner learns when experiencing fear of failure in the context of making internationalisation decisions for his/her firm. Learning is triggered by fear of failure, which is an ongoing back and forth process integrating both experiential learning methods and social learning methods. Learning promotes a decision-maker's changes in emotion and cognition, contributing to the knowledge development while pacifying fear of failure emotions. Consequently, the

learning outcomes help a decision-maker to gain motivation, as well as the management of risk and uncertainty strategies. In turn, they enhance a SME owner's decision-making capability in the internationalisation process.

This paper adds empirical weight to the existing discussion on learning and fear of failure in International Business (IB) literature. It aims to make contributions in several ways. First, this paper adds value to an understanding of the dynamism of the learning process when experiencing fear of failure. Importantly, this study helps SME owners who confront the fear of failure to develop a learning identity: a person's belief about themselves, particularly their views about their ability to learn (Kolb & Yeganeh, 2011). Additionally, this paper draws attention to the individual's learning in the context of the firm's internationalisation activity. The implications of this paper are beneficial to designing training programmes as well as drawing attention to the occupational health aspects of managing fear of failure by business owners.

The paper is constructed as follows: first, learning theories are reviewed as the theoretical foundation of this paper. This is followed by an explanation of the link between learning and fear of failure. A discussion of learning in Entrepreneurship and IB literature follows. The methodology, analysis and findings of this study are then presented. The paper concludes with implications, conclusion and proposed avenues for future research.

## **2. Theoretical Overview**

### **2.1 Learning theories: Comparison of Experiential Learning and Social Learning**

Learning is defined as “increasing one's capability to take effective action” (Kim, 1998, p. 43). Experiential learning and social learning are different learning methods, which are frequently applied in entrepreneurship and IB studies. An experiential learning method

focuses on self-learning, based on a 'whole-person' learning approach, whereby feelings, emotions and cognitive aspects related to the learning event matter (Rogers & Freiberg, 1969). It combines the emotional and behavioural domains with the cognitive field concerning learning (Kenderdine & Keys, 1974). It focuses on developing learning and perceptual capacities and reinforces cognition from the individual's prior experiences, and its relevant impacts on emotions and attitudes (Hoover, 1974). Consequently, the experiential learning approach offers insights into individuals' direct behaviours (Hoover, 1974).

*Experiential Learning Theory* notes that people respond in a way they have in the past, defined as "the process whereby knowledge is created through the transformation of experience" (Kolb, 1984, p. 41). It presents an account of transforming experience into new knowledge and highlights the centrality of experience in the learning process as of greatest significance. It occurs when an individual learns from prior experience and accumulates newly formed knowledge (Kolb, 1984). In this way, an experiential learning outcome refers to "the result of experiential processing where the diversity and novelty of the stock of events give rise to enhanced learning" (Morris et al., 2012, p. 23). The experiential learning method outlines self-reflection as an inward process of knowledge development.

With a different focus, the social learning method emphasises how individuals learn from participating in the outside world. *Social Learning Theory* (Bandura & McClelland, 1977) is attentive to behavioural and environmental influences rather than making sense from internal cognitive processing (Bandura & McClelland, 1977). Learning occurs through social interaction such as contact with other people, observation and imitation of role model behaviours. The vicarious learning method, also labelled as observational learning, is highlighted from social learning theory: learning that

involves modelling others' behaviours and actions (Bandura & McClelland, 1977). Individuals build up their learning from observing the outside world, and thereby to imitate others' behaviour (Bandura, 2002). Hence, individuals establish knowledge from emulating their behaviour responses or actions as a template (Holcomb, Ireland, Holmes Jr, & Hitt, 2009).

Some arguments may arrive at the overlap between the *Experiential Learning Theory* and *Social Learning Theory*. For instance, someone may learn from the other's prior experience. Thus, *Social Learning Theory* (Bandura & McClelland, 1977) was modified by Wenger (1998) as '*the social theory of learning*' which argues that learning is a systematic experience: learning as doing, belonging and becoming. Wenger (1998)'s work builds up a link between *Social Learning Theory* and *Experiential Learning Theory*. Experiential learning and social learning complement and support each other, but with a different focus in learning skills/methods: the reflection of prior experience (inward learning) on the one hand, and interactive communication/vicarious observation (outward learning) on the other hand.

Individuals' learning style of 'how' and 'what' to learn determines how individuals process information from their prior experience and, in turn, it will influence their decision-making and action-taking (Kolb, 2014). Furthermore, both *Experiential Learning Theory* (Kolb, 1984) and *Social Learning Theory* (Bandura & McClelland, 1977) are originally positioned to address individual-level learning activities. Wang and Chugh (2014, p. 12) state that an individual's learning means "the process by which individuals acquire data, information, skill or knowledge". In turn, individual-level learning advances organisational learning because organisations learn through their individual members (Kim, 1998). By comparison, collective learning happens among

external clubs (Capello, 1999). The distinctive characteristic of collective learning is grounded at the firm-level and the regional-level (Capello, 1999).

## 2.2 Learning and Entrepreneurship

The learning domain has a promising space in entrepreneurship research (Wang & Chugh, 2014). Entrepreneurship is a process of learning because each stage encompasses the continuing application of new knowledge throughout entrepreneurs' professional lives (Minniti & Bygrave, 2001). Entrepreneurial learning means "a continuous process that facilitates the development of necessary knowledge for being useful in starting up and managing new ventures" (Politis, 2005, p. 401). Both the experiential learning strategy and the social learning strategy are foundational in entrepreneurship literature, and significantly contribute to enhancing an individual's decision-making capability. A summary of literature on learning and making entrepreneurship decisions appears in Table 4-1 (in the end of session 2.2) and is discussed as follows.

First, an experiential learning method contributes to explaining habitual entrepreneurship decisions. For example, learning helps an entrepreneur to translate previous ownership experience into subsequent entrepreneurial performances (Ucbasaran, Wright, Westhead, & Busenitz, 2003). Furthermore, other scholars believe that experiential learning should not be limited to previous experience, but extend to a broad range of experience, including entrepreneurs' career experience (Politis, 2005). The authors believe there is little relevance to entrepreneurship research if only exploring the learning outcomes of entrepreneurs' prior experiences is considered without the entire entrepreneurial learning process as an experiential process is considered (Politis, 2005, p. 418). Experiential learning is a transformation process. An individual generate



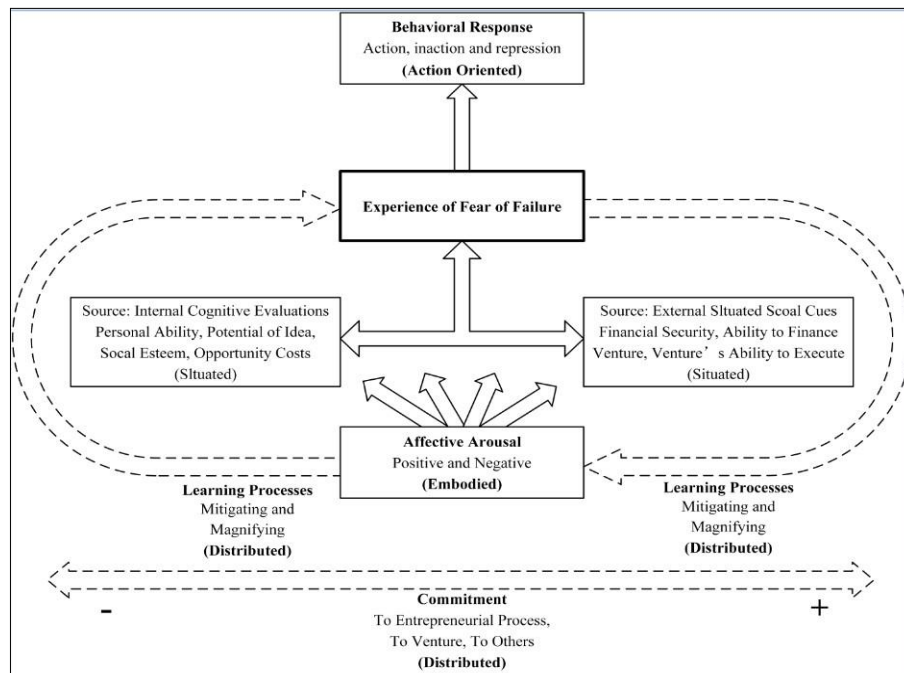
newknowledge contributing to recognising and acting on entrepreneurial opportunities. As such, entrepreneurs can cope with the liability of newness through learning (Politis, 2005). Thus, learning is conceptualised as a dynamic experiential process which is comprised of four stages: “awareness, reflection, association, and application” (Cope, 2005, p. 387). Whereas, an individual may take a longer period to utilise entrepreneurial learning than experiencing the event. With the experiential learning approach, entrepreneurship studies on prior experience (Corbett, 2007) and knowledge acquisition (Shane, 2000; Smith, Matthews, & Schenkel, 2009) to explain why some entrepreneurs discover more opportunities while others may not.

Second, other research highlights vicarious learning methods from the social learning approach (Cope, 2005; Dimov, 2007; Rae, 2004, 2006). For example, entrepreneurs learn through engaging with industry or community experience and socialisation with other cultural, industry and community (Rae, 2004). Rae (2006) proposes a framework for entrepreneurial learning building on *Wenger’s Social Theory of Learning* (Wenger, 1998). Rae (2006) finds that recognising and acting on entrepreneurship opportunities is a contextual learning outcome of a specialised situation. Individuals learn through participation to form their practical knowledge for taking entrepreneurial action. As such, entrepreneurship literature focuses on a social learning method that defines learning as “the process by which people acquire new knowledge from direct experience and from observing the behaviours, actions, and consequences of others” (Holcomb et al., 2009, p. 172).

Third, learning connects to emotion in entrepreneurship literature. To be specific, learning is distributed in the entrepreneurship process when an individual is experiencing fear of failure. Cacciotti et al. (2016) theories fear of failure as a context-sensitive

phenomenon. It is because fear of failure experience occurs in challenging, dynamic and risk-laden situations inside the entrepreneurial process (Figure 4-1). Their framework is presented as below (adapt from (Cacciotti et al., 2016, p. 315) :

**Figure 4-1 Theoretical Model of Fear of Failure and Entrepreneurship Process**



The dynamism of the fear of failure experience is an emotion-cognition-behaviour interaction (Cacciotti et al., 2016). Experiencing fear of failure in the process of entrepreneurship is as much about a fear of failing in the middle of this process as about fear of failure at the end of this process. Apart from cognition and emotion, the fear of failure is about behaviour responses. In Cacciotti et al. (2016)'s finding, entrepreneurs try to make behavioural efforts to cope with fear of failure. For instance, their participants were doing something else outside the entrepreneurship process for the sake of forgetting the uncomfortable thoughts and negative feelings. As such, social learning is beneficial to manage the fear of failure experience (Cacciotti et al., 2016). Therefore, the authors see fear of failure experience as changing over time and space, facilitated by the learning

process. Furthermore, they conclude fear of failure, as experienced, is an ongoing dynamic process: an individual may experience a new feeling, demonstrate new thinking and even engage in a new behaviour (Cacciotti et al., 2016). Nevertheless, their research finding is limited to an entrepreneurship context only due to the nature of 'change', or of fear of failure experience and can be influenced by learning (Cacciotti et al., 2016). Nevertheless, this explanation of the interaction between learning and fear of failure remains an ambiguity in this study. In particular, other psychology studies hold different opinions about viewing fear of failure as an impediment to learning. For example, fear of failure shapes an individual's perceptual outlook on a certain achievement situation: they tend to feel that they are being threatened and judged by others, instead of regarding it as a learning opportunity for improving their competence or competition (McGregor & Elliot, 2005). It seems that learning links to hope of success and fear of failure. Hope of success and fear of failure are essential motivational factors to one's risk-taking behaviours in the achievement context (Decharms & Dave, 1965). Individuals with strong achievement motivation will have a more satisfying performance and ultimately maximise success and minimise failure (Decharms & Dave, 1965). Consequently, (Cacciotti et al., 2016, p. 319) claimed that the understanding of how people respond to the fear of failure experience throughout the entrepreneurial process and why people react differently, is very limited.

**Table 4-1 Literature Review on Learning and Entrepreneurial Opportunity**

<b>Literature</b>	<b>Research Topic</b>	<b>Focus on entrepreneurial opportunities</b>	<b>Literature /Theory Base</b>	<b>Method</b>	<b>Data and Measurement</b>	<b>Key Findings Focusing on learning and entrepreneurial opportunities</b>
(Ucbasaran et al., 2003)	The impact of Entrepreneurial experience	Opportunity identification and exploitation	Attribution Theory	Conceptual	N/A	Entrepreneurial experience is an important human capital resource, impacting on opportunity identification and exploitation.
(Rae, 2004)	Practical theory and entrepreneurial learning	Opportunity recognition	Practical theory	Qualitative	30 entrepreneurs have been interviewed on their life stories.	Recognising and acting on opportunities is a contextual learning outcome. Entrepreneurs learn through industry or community experience and socialisation with other cultural, industry and community.
(Politis, 2005)	The process of entrepreneurial learning	Opportunity recognition and opportunity exploitation	Experiential learning theory	Conceptual	N/A	The process of entrepreneurial learning is experiential: transforming entrepreneurs' Experience to form knowledge regarding recognising and acting on opportunities and coping with the liability of newness.
(Corbett, 2005)	Experiential learning	Opportunity identification and exploitation	Experiential learning theory	Conceptual	N/A	<ol style="list-style-type: none"> <li>(1) Individual transform their experiences, expertise and prior knowledge into new entrepreneurial knowledge.</li> <li>(2) Individual learn in different ways that matters with opportunity identification.</li> <li>(3) The effectiveness of different learning styles varies through different stage of opportunity activities.</li> </ol>

(Rerup, 2005)	Learning from past experience and mindfulness	Opportunity discovery and opportunity exploitation	Behavioural learning theory and mindfulness theory	Conceptual	2 case study (HajiIaonnou and the easy Group)	Entrepreneurs may use past experience to improve ventures' performance. The degree of mindfulness matters with using prior experience which can either help or harm their ability to discover and exploit opportunities.
(Rae, 2006)	Entrepreneurial learning	Opportunity creation, recognition and development	Wenger's social theory of learning	Qualitative	10 In-depth life story interviews with entrepreneurs.	Contextual learning includes an individual's social participation in community, industry and other networks. The learning outcome leads to the recognition and enation of opportunities in specialised situations.
(Dimov, 2007)	Person-situation learning match	Opportunity intention	Experiential learning theory	Quantitative	Experiment on 95 MBA and executive MBA students.	The importance of person-situation-learning match indicates that the likelihood of acting on the initial opportunity, not only depends on prior knowledge but also learning style to match the situation at hand.
(Corbett, 2007)	Learning asymmetries	Opportunity identification	Experiential learning theory	Quantitative	A survey with an embedded quasi-experiment based on 380 technology professionals.	Different manners in which individuals acquire and transform information have a profound effect on why some individuals discover opportunities while others do not.
(Holcomb et al., 2009)	Entrepreneurial learning among heuristics, knowledge and action	Opportunity-seeking behaviour	Experiential learning theory and vicarious learning	Conceptual	N/A	An entrepreneur's familiarity positively influence the perceived future probabilities of opportunities.

### 2.3 Learning and International Business

Learning is an important aspect of the internationalisation process of a firm. The original IP Model is viewed as a dynamic learning process, in particular acquiring overseas market knowledge (Johanson & Vahlne, 1977). The original IP Model (1977) indicates a learning challenge for firms to enter a new international market, a psychic distance, which refers to 'factors preventing or disturbing a firm's learning about and understanding of a foreign environment' (Vahlne & Nordström, 1994, p. 42). The widely cited IP model (2009) combines two processes in the change aspect: learning and commitment (Johanson & Vahlne, 2003, 2009) with the accumulation of learning experiences in foreign markets benefiting the enhancement of a firm's commitment to international markets. Furthermore, learning is regarded as a 'change' sub-process inside the knowledge development process in the newest IP Model (2017) (Vahlne & Johanson, 2017).

The internationalisation process of a firm synergises different learning strategies (Johanson & Vahlne, 2009). It is because of a firm's increasing involvement in internationalisation. Firms will learn more about the international environment and build overseas networks. Consequently, knowledge gained network resource reduces the level of risk and uncertainty constraining their internationalisation activities, and enhances new network-specific commitments so increasing the awareness of opportunities (Johanson & Vahlne, 2009). The experiential knowledge of foreign markets enhance firm's resources commit to foreign markets. Also, interacting with network partners facilitate transferring knowledge and create new knowledge (Ellis, 2011). Vicarious learning is premised on a form of observing other firm's internationalisation activities to facilitate knowledge, in response to which a firm may change their behaviours, or even beliefs (De Clercq,

Sapienza, Yavuz, & Zhou, 2012).

Some authors regard IP models as a ‘self-reinforcing learning mechanism’ (Sydow, Schreyögg, & Koch, 2009) or ‘learning–commitment cycle’ (Vahlne & Ivarsson, 2014). Accordingly, Autio, George, and Alexy (2011) suggest that accelerated internationalisation reinforces learning advantages. This is based on the view that firms gain learning opportunities in order to develop their capabilities as required for exploiting international markets. After firms develop the institutional knowledge through their market/ regional specific experiences, they can combine their own experience with other non-specific experience to generate more advanced learning. The combination of experiential learning helps firms to overcome the liabilities of foreignness and limitations of entry mode knowledge, further leading to higher degrees of future internationalisation commitment (Schwens, Zapkau, Brouthers, & Hollender, 2018). Nevertheless, recent studies demonstrate disagreement with the idea of a positive ‘reinforcing learning cycle’ of internationalisation process. Kriz and Welch (2018) found that firms may not necessarily benefit from the self-reinforcing learning mechanism when facing uncertainty. In their study, they observe that internationalisation includes “failed attempts, unrealised ambitions, inactivity and withdraw rather than cumulative learning leading to sustainable international growth” (Kriz & Welch, 2018, p. 497). Consequently, Kriz and Welch (2018) found that more learning may not always lead to more firm’s commitment and involvement in internationalisation.

This study argues that such inconsistent findings may be due to the fact that that the studies considered explore learning and internationalisation at the firm-level, ignoring an individual decision-maker’s learning effort and his/her specific learning context. Indeed, the richness of learning studies is flourish in both entrepreneurship literature and

internationalisation literature. Notwithstanding, internationalisation ‘experience’ remains a topical issue in explaining a firm’s learning behaviour (Giarratana & Torrisci, 2010; Jones & Casulli, 2014; Manolova et al., 2002; Oviatt & McDougall, 1997). A firm’s international business experiences are more likely to influence its international commitment decisions, especially for new international ventures (Oviatt & McDougall, 1997). Entrepreneurs draw on their international experiences and skills when internationalising their SMEs (Manolova et al., 2002), regarding such issues as foreign market entry and survival (Giarratana & Torrisci, 2010). Dynamic learning capability (Weerawardena, Mort, Liesch, & Knight, 2007) and individual learning are more likely to occur in small firm’s internationalisation (Anderson & Boocock, 2002). First, learning may vary among individual decision-makers/ managers/ SME owners. An individual’s behavioural change may be correlated with experiential learning, which could lead to crucial internationalisation knowledge development in the social context and content. Second, internationalisation experiences are individualised because they vary in individual’s embedded contexts, with different contents. Therefore, each such experience offers different international experiential learning and different knowledge development, supporting the individual’s firm’s internationalisation process (Michailova & Wilson, 2008). Third, individual-level learning in internationalisation studies is scant. Welch & Welch (2009) indicating that the current research encounters the difficulty of anticipating “what specific lessons an individual will take from previous internationalisation activity: the connection between prior international experience and its outcomes, and type of learning” (p.570). Finally, the link between learning and emotion is missing in internationalisation studies, although entrepreneurship literature suggests the correlation between learning and fear of failure (Cacciotti et al., 2016).



This study argues the importance of shedding light on learning, as an individual-level behaviour, to advance exploration. Based on the above discussion, this study proposes the research question: *how do SME owners learn when experiencing fear of failure in the context of making internationalisation decisions?*

This study chooses China as the context for investigation. China offers a unique and favourable institutional environment to explore SME owners' learning behaviours in internationalisation activities. First, SME owners had no internationalisation experience until China established its 'open-door' policy in 1979 (Wei, 1995). Due to the historical reason of the host country's late internationalisation involvement, fear of failure is often a distinctive response from Chinese SME owners who lack internationalisation experiences. Second, large trade corporations dominate international business in China (Gao et al., 2010; MacBean, 1996) and key networks (Ellis, 2011). Meanwhile, SMEs operate their businesses in a disadvantageous learning position compared to large companies. (Ellis, 2011) suggests that China's SME owners are still at a learning stage regarding internationalisation activities, and they need to improve their knowledge and the necessary capabilities for expanding their business into international markets (Liu et al., 2008). China's export-led growth potential for the internationalisation of SMEs offers a favourable context in which to advance the investigation of our research question.

### **3. Research Method**

This paper follows a qualitative approach to delineate the exploratory nature of the research question: "*how do SME owners learn when experiencing fear of failure in the context of making internationalisation decisions for their firms?*" First, this study seeks to explore the fear of failure experience (Cacciotti et al., 2016) that lends itself to

qualitative exploration because it concerns the quality of personal involvement rather than causal relationships (Denzin & Lincoln, 1994). This personal involvement includes an individual's complex behavioural responses to emotional and cognitive experiences, related to fear of failure, the focus of this study. The qualitative approach is applicable to examine human action through understanding the actor's subjective experiences (Denzin & Lincoln, 1994), as appropriate for exploring emotions (Shepherd, 2004) and the fear of failure experience (Cacciotti et al., 2016; Chua & Bedford, 2016). It is also important to explore the potential embedded context in explaining why people experience the world in different ways. It offers an in-depth description of socially-situated environments, such as those required in entrepreneurship (Davidsson, 2005) and international business (Doz, 2011). Furthermore, this study aims to capture the voices, stories, viewpoints and meanings from exploring SME owners' experiences. A qualitative inquiry details research participants' subjective perceived experience and behaviour that is shared with the researcher (Silverman, 2010). The qualitative methodology facilitates an understanding of the participants' actions through their subjective world or lens, which will help this study to explore the individual's complex responses to the emotional and cognitive aspects of fear of failure experiences.

Interpretative Phenomenological Analysis (IPA) was a technique developed by (Smith, 1996) and has been well-applied in Psychology (Larkin & Thompson, 2012; Smith, 2015). An IPA focuses on "examining how individuals make meaning of their life experiences" (Pietkiewicz & Smith, 2014, p. 7), something fundamentally important in psychological research (Brocki & Wearden, 2006; Larkin & Thompson, 2012). IPA has been applied to investigate the topic of 'learning from failure experience in an entrepreneurship setting' (Cope, 2011, p. 608). this study applies an IPA technique

because it is useful in examining under-researched topics with inherent complexity and ambiguity, by interpreting how participants think about what is happening to them (Smith, 2015). Therefore, it offers insights to explore the phenomena where participants may struggle with expressing how they think and feel and want to limit self-disclosure (Smith & Osborn, 2004). The exploration of fear of failure experience, meets the above criteria for research design (Cacciotti et al., 2016).

This study is based on semi-structured interviews with 18 participants conducted in China in 2016-17 (Table 4-2). China, as the empirical research context, provides a favourable setting for SME internationalisation due to its export-led growth. Many Chinese SME' owners, however, are disadvantaged because of their limited international networks (Ellis, 2011) and lack of the specific internationalisation knowledge and capabilities required (Liu et al., 2008). The growing trade tensions between China and the USA during the Trump presidency (2016 onwards) provide an additional favourable context for focusing on China due to perceived increased potential for uncertainty by Chinese SME owners planning to enter international markets.

**Table 4-2 Information about Participants' Firms**

<i>Participants *Coded names</i>	<i>Venture start in (Year)</i>	<i>Commenced international ization in (Year)</i>	<i>The last international market (Year)</i>	<i>International revenue (%) and yearly revenue (RMB:Million)</i>		<i>No of staff</i>	<i>International Markets</i>
<b>Participant 1*</b>	2009	2009	2012	75 -100	10-15	50	USA, UK, Canada, Germany, Japan
<b>Participant 2*</b>	2014	2015	2017	60-70	>15	150	USA, Australia, Canada, Germany
<b>Participant 3*</b>	2006	2009	2014	25 -50	10-15	66	USA, Australia, New Zealand
<b>Participant 4*</b>	2010	2011	2011	75 -100	< 1	27	Vietnam
<b>Participant 5*</b>	2008	2012	2016	25-50	>15	170	South Africa, Bangladesh, Canada
<b>Participant 6*</b>	2009	2009	2012	55	10-15	70	Burma, Cambodia, Romania
<b>Participant 7*</b>	2013	2013	2013	75 -100	>15	38	USA
<b>Participant 8*</b>	2010	2010	2015	75-100	1-5	22	Russia, Ukraine
<b>Participant 9*</b>	1996	1998	2014	40	>15	138	Malaysia, Gabon, Cameroon, Congo, Singapore, Sri Lanka, Australia
<b>Participant 10*</b>	2001	2003	2016	50 -75	>15	150	USA, France, UK, Holland, Australia
<b>Participant 11*</b>	2015	2017	2017	> 90	>15	68	Australia, India
<b>Participant 12*</b>	2012	2012	2016	40	< 1	28	Russia, Malaysia, Japan, South Korea
<b>Participant 13*</b>	2004	2006	2016	25 -50	5-10	64	USA, UK, France, Italy, Norway Afghanistan Brazil

<b>Participant 14*</b>	1996	2006	2016	50 -75	>15	42	Nepal, Philippines, India, Italy, Cambodia
<b>Participant 15*</b>	2002	2002	2017	100	1-5	48	Australia, USA, Canada, Spain, Italy, Japan
<b>Participant 16*</b>	2000	2005	2015	50 -75	1-5	20	United Arab Emirates, Africa, UK, Canada, USA, Congo
<b>Participant 17*</b>	2000	2000	2014	30	1-5	26	Burma, Laos, Vietnam, Thailand, Japan, Singapore
<b>Participant 18*</b>	2015	2015	2015	75-100	< 1	38	Australia

\*Coded name

### 3.1 Data collection

An IPA sampling is purposive in identifying potential participants to ensure obtaining rich data and usually involves a study of between six to fifteen cases, but without strict rules on the number of participants to be included (Smith & Osborn, 2004). Given the fact that decision-making related to internationalisation is quite centralised to key persons in SMEs (Hurmerinta et al., 2015), and risk assessment and responses also depend on the firm's financing and ownership structure (Kriz & Welch, 2018), the "individual SME owner who is fully responsible for making internationalisation decisions for their firm" is the level of analysis adopted in our study. A purposive snowball sampling technique (Biernacki & Waldorf, 1981; Cochran, 2007) was used to select participants considering the following criteria: (1) a business owner of Chinese ethnic background, lives and operates business in China; (2) Owns an exporting SME with less than 200 employees (to control for resource bias) and a minimum of 25% of revenue derived from foreign markets; (3) Has been fully responsible for making decisions about a new international market entry for the firm; (4) Has experienced fear of failure in the context of making internalisation decisions.

I sought to capture responses from SME owners from a wide range of exporting products and industry backgrounds to reach data saturation. This study employed criteria-based purposive sampling to understand how SME owners experience fear of failure (Pietkiewicz & Smith, 2014), with participants willing to provide their accounts of challenging personal experiences (Cope, 2011). To recruit participants, the researcher used personal contacts and approached potential participants through email and WeChat, an online communication tool. Potential participants were well-informed about the research topic and provided the researcher with their signed consent forms to participate.

To avoid misinterpretation, all the documents (interview protocol and questionnaire) were translated into Chinese by the researcher and then back-translated by a NATTI accelerated translator to check for accuracy. Interviews were conducted in the participants' first language Mandarin.

The data collection protocol for the study includes two close-ended questionnaires and an interview guide. The questionnaires were designed to capture background information about participants and their SMEs. Prior to the interviews, I collected secondary data about the study participants and their firms from publicly available sources, such as company homepages, social media, and public reports, to assist with understanding their profiles. IPA data collection is flexible in creating opportunities for research participants to describe detailed accounts of their experiences via semi-structured interviews (Smith & Osborn, 2004). I prepared a brief Interview Guide (King & Horrocks, 2010), including questions such as: *“When you were experiencing unpleasant feelings thinking about potential failure, how did you focus on evaluating an international opportunity? What helped you to come up with alternative solutions to deal with potential risks or uncertainties in that situation? From these learning experiences you mentioned, what have you learnt to help you commit to your goal in relation to international market evaluation? Could you give me an example about how you learned from it?”*

### **3.2 Interview strategy**

Two pilot interviews were conducted to test data collection protocols and these were excluded from the data set used in the analysis. Only minor changes were needed in adapting the process for the main study, such as rewording the tone of a question or a few vocabulary issues. The researcher interviewed 22 participants for the main study. The

researcher and the participants had 30 minutes' in advance to build interpersonal rapport for mutual trust to be established (not audio-recorded) before commencing a formal audio-recorded interview. During this phase, the interviewer took notes and filled in the questionnaire noting the participant's firm's background during this phase. The duration of most IPA interviews is one hour (Pietkiewicz & Smith, 2014). The average duration of each interview (not including the rapport- building time) is approximately 1 hour and 20 minutes, similar to most IPA-based studies (Pietkiewicz & Smith, 2014). After each interview, the recording was transcribed into Mandarin. The researcher then emailed it to participants for checking. The researcher also made notes about the implicit meaning of Chinese expressions used by the participants, such as common metaphors and proverbs. For example, a few participants use the metaphor 'try the water' (wade into unknown water) referring to the uncertainty of internationalisation. Where necessary, the researcher followed-up any ambiguity or confusing expressions to seek clarification via phone. Finally, each Mandarin transcript was translated into English while the length of each English transcript ranged from 10,000 to 15,000 words.

### **3.3 Data Analysis**

An IPA has clear guidelines and procedures to ensure valid and reliable outcomes (Smith & Osborn, 2004). The analytical process involves making sense of each participant's meaning along with asking critical questions, such as the nature of fear of failure in this study, so that "the data can speak for itself"; however, description is necessarily followed by interpretation (Eatough & Smith, 2008). Similar to other qualitative research techniques, an IPA study does not deliver generalisability of results but offers a rich contextualised explanation of theory applied to real-life phenomena. (Conklin, 2007; Cope, 2005, 2011).



To analyse the data, an inductive approach is warranted for creating a rich understanding of data analysis and demonstrating the rigour of qualitative research. According to the IPA analysis process (Pietkiewicz & Smith, 2014) and the application on analysis on 'learning from failure' (Cope, 2011; Kempster & Cope, 2010), I entailed the level of analysis from an inductive approach via following steps: (1) Familiarisation/gaining insights via multiple reading and making notes: I read through interview transcripts several times to acquaint myself with the data. I review both Mandarin and English transcripts while listening to the audio-recordings multiple times. Consequently, four transcripts were removed from the data set due to a lack of clarity in these participants' articulation of fear of failure experience. These participants were reluctant to answer questions about fear of failure so turned to say something irrelevant instead. (2) Immersion and sense-making: I immersed in the data to explore its content and meaning, the context of the verbal expressions, and making sense of the interview dialogue by producing the initial interpretative comments. Interpretation is a transformation that refines and clarifies meanings from an object's experience (Denzin & Lincoln, 1994). This study draws upon the IPA (Smith & Osborn, 2004) to examine each transcript in order to identify critical descriptive codes based on represented statements and participants' stories (Smith & Osborne, 2015). The researcher's interpretations are considered in the process of analysing the IPA research (Pietkiewicz & Smith, 2014, p. 7), in order to fully understand the participants' experience. The interpretation of the qualitative data focuses on exploring the meanings attributed to the phenomena, such as how an individual experiences events to make sense of the world (Silverman, 2015). (3) Categorisation: this step was to transform the opening coding notes for each case into emergent themes (basic themes) and group these into clusters (organising themes) according to conceptual similarities (Pietkiewicz & Smith, 2014). At this step, I

interpreted the meaning of information and collated descriptive codes that share some common meaning. Then I coded the data into the basic themes via transforming notes into emergent themes: the meaningful units emerged spontaneously from the raw data. (4) Association/ pattern recognition: another of coding data into ‘global themes’ aims at seeking relationships and clustering themes. I identified patterns across cases and achieved a more advanced level of conceptualisation (global themes): they represent the key theoretical understanding referring to the research question and the theoretical framework. (5) Interpretation/presentation: writing up a narrative account of the study in presenting the research finding. (6) Explanation and abstraction: a discussion section involving enfolding existing literature is presented in the section of discussing research finding. Table 4-3 shows how the researcher develops the data structure

**Table 4-3 Data Structure of Paper 3**

<b>Basic themes</b>	<b>Organising themes</b>	<b>Global themes</b>
1. View failure as a learning opportunity 2. View loss as the learning cost 3. View fear of failure as a warning to investigate the potential crisis	Change perception of failure	Learning trigger

<p>(Experiential learning from)</p> <p>4. Closed business experience 5. Overseas fraud experience 6. Lawsuit experience</p>	<p>Self-reflection of challenging emotional experience</p>	<p>Pacify negative emotions of fear of failure</p>
<p>(Social learning from)</p> <p>7. Family members and friends 8. Peers, mentors 9. Overseas company, staff 10. Overseas client, overseas friends</p>	<p>Communicate hardship with trustworthy contact</p>	
<p>11. Accept failure can happen anytime 12. View failure as a temporary result with the possibility to succeed in the long run A trying attitude</p>	<p>Emotion change after learning: gain hope of success</p>	<p>Learning outcome: enhancing motivation</p>
<p>(Experiential learning from)</p> <p>13. Key decision-making experience 14. overseas markets enter experience 15. Overseas markets withdraw experience 16. Overseas Market research experience 17. Overseas living experience</p>	<p>Searching solutions via self-reflection</p>	<p>Knowledge development</p>
<p>(Social learning from)</p> <p>18. External outsiders (Industry expert Financial staff, Lawyer, Audit team/accountant) 19. Internal shareholders: (Sales staff, Engineer professions, business partners)</p>	<p>Absorbing internationalisation information via interaction</p>	
<p>(Vicarious learning from)</p> <p>20. Big company's internationalisation 21. Domestic companies in the same industry 22. Others' business failure 23. Public resource: Industry platform, Seminar, exhibition</p>		
<p>24. Risk aversion 25. Safety comes first 26. Affordable loss as the bottom line 27. Worst-case scenario 28. Evaluate the trustworthiness of overseas network 29. Follow China's government internationalisation advocacy</p>	<p>Cognition change after learning: gain clarity of thinking</p>	<p>Learning outcome: risk and uncertainty management strategies</p>

## 4. Research Findings and Discussion.

This paper reveals SME owners' learning experiences when experiencing fear of failure in the context of making internationalisation decisions. The analysis of interview data allows for theoretical conceptualisation. Both an experiential learning strategy and a social learning strategy were identified from participants' accounts. Based on this feedback, this paper offers propositions exploring the dynamic learning process needed to manage both the emotional and cognitive aspects of the fear of failure experience, contributing to an enhanced understanding of decision-making in the internationalisation process. This study organises representative quotations into tables at the end of this section to support reporting data.

### 4.1 Fear of failure as a learning trigger

The fear of failure experience is an inseparable part of making internationalisation decisions: *“Just say the owner of import and export enterprises, there is no one not fear failure”* (Participant 17\*). The lack of internationalisation knowledge is a key source of fear of failure. Thus, SME owners interpret fear of failure as a learning trigger, encouraging them to seek information concerning risky and uncertain internationalisation environments: *“There are many uncertainties and risks in my situation. Fear of failure can be considered as a psychological disturbance. My personal quality or skill can help me concentrate on learning to receive new information for better analysing and evaluate international business opportunities”* (Participant 13\*). Thereafter, Participant 6\* demonstrates that his anxiety associated with fear of failure triggers further learning in order to achieve an in- depth assessment of a new international market:

*“I worry about the possible failure of this opportunity. I can analyse my resources as inadequate. The allocation of expanding overseas business does not match my resources. I need a more in-depth analysis: for example, my product quality is excellent in relation to the competitors, but my price is higher”* (Participant 6\*).

The above findings of this study indicate that fear of failure triggers an individual’s learning behaviour. In turn, learning changes the perception of failure. SME owners tend to view potential failure as a learning opportunity, view the loss as a learning cost and interpret their fear of failure experience as a warning, triggering them to further investigate the potential crisis. Participant 14\* perceives failure as a learning opportunity, as he said as follows: *“First of all, failures are setbacks on the road of life, which is also an exercise for me. It is natural”*. Hence, participant 14\* interprets failure as a learning exercise.

Furthermore, Participant 12\* views the possible loss in internationalisation as a learning cost: *“I want to learn from a loss to gain a long-lasting wisdom’ in this process”*. Similarly, Participant 16\* uses a metaphor ‘tuition fee’ to illustrate the learning cost: *“Even though big state- owned companies have to lose money to pay tuition fee, regardless to say SMEs owned by individuals. There is no possibility for SMEs to win. Therefore, I regard the failure consequence as the payment of tuition fee”*. Other SME owners expressed the same view interpreting fear of failure as a warning, triggering their learning behaviours to investigate a potential crisis: *“we are in the situation of possible loss now because I’m a bit anxious for entering Singapore market: signing a business contract without very comprehensive consideration”* (Participant 6\*). Participant 18\* and Participant 9\* report the same, their feeling that something bad would happen when experiencing fear of failure: *“When I especially fear something, then it would happen.*

*The boss has this feeling that something will happen. Maybe it would happen, so I feel the risk. In fact, I amplify its negative effect possibly” (Participant 18\*). Participant 9\* said so, “It is a risk warning in advance. I believe this is a real problem or the big risk in a market or a target location. We are worried or afraid still on an international project. There is an inevitable time of worry and fear”.*

Learning leads SME owners to changing their perception of failure to view it as a way to adjust future development directions: *“If the investment failed, we must think in the right direction. A good direction to adjust myself. I cannot say I lost in a failure. I view it as the greatest belief, no matter how much success I have achieved. My mind needs to be adjusted” (Participant 3\*). Participant 5\* also perceives failure as a learning accumulation process for his firm: “failure does not mean anything. We may be wrong now. I think it is hard to define what this failure means. I think any attitude toward life requires a longer-term process, and I need to accumulate enough experience to do these things. I do not expect to achieve a certain result in half or one year. I allow (my firm) to ‘come and go’ as a trial and error and gain experience.”*

## **4.2 Pacify negative emotions of fear of failure**

The research findings support the finding that learning relates SME owners to an emotional experience, so enhancing their ability to handle a stressful situation. SME owners learn through self-reflection following challenging emotional experience and difficult communications with trustworthy contacts.

### **4.2.1 Self-reflection of challenging emotional experience**

SME owners engage with the self-reflection involved in changing emotional experience to pacify negative emotions of fear of failure, such as overseas fraud experience (Participant 16\*), business failure experience (Participant 1\*), exiting an

overseas market (Participant 17\*) and internationalisation failure (Participant 2\* and Participant 15\*), lawsuit (Participant 8\*). Participant 8\* said, *“My prior experience did some help. Some experiences make me feel painful.... I had no early warning about failure. I thought as long as I put efforts, there should be a return. In fact, no. I was fooled when I was young, suffering hardship”*. Participant 3\* continues to give a detailed explanation of the self-reflection regarding its impact on pacifying the emotional aspects of fear of failure:

*“The investor’s ‘psychological strength’ comes from his previous experience. He had experienced it before, especially similar issues, so that he knew how to deal with it. He has experienced a lot of negative. He must know it clear. He could handle it. It is ‘psychological strength’. His reference case is from the previous experience, something happens to him before. He can do it better now...”*  
(Participant 3\*).

Participant 2\* reflects previous ‘failure experience’ to pacify his negative emotions: *“It is the failure experience. Of course, I am afraid of the failure. But I say I can sum up the failure experience to avoid the same situation happening again. If this same issue comes, I recall what happened before. I stop it”*. By reflecting on challenging emotional experience, SME owners strengthen their mental ability to confront the fear of failure emotions.

#### **4.2.2 Communicate hardship with trustworthy contact**

Other SME owners prefer to communicate hardship with a trustworthy contact to better pacify fear of failure emotions, such as chatting and talking about their difficulties or challenges with friends (Participant 8\* and Participant 16\*), peers (Participant 15\* and Participant 10\*), teachers/mentors (Participant 10\*) and close-relatives (Participant 14\*).

Participant 16\* illustrated her experience of engaging with friends: *“I’m frustrated by failure, discouraging me. I have a look, looking for a friend to chat or eat a meal, in order to adjust my mental state. Adjust the state of mind is good. I’m able to do something afterwards”*. Similarly, Participant 8\* mentioned communicating hardship with a trustworthy overseas client: *“when Russia refuses to use my product, it makes me fear. I worried about exporting this product to Russia. When I was young, I met some good clients. Then he used his mind to assess this international opportunity. He thought it was a good thing. It’s a process of doing business. I grew up slowly. I don’t feel scared anymore. I would let it go if exporting failed”*. Moreover, Participant 14\* talks to his father who has rich business experiences: *“My family is a backup. I can move forward without worrying. My father gives me support and guidance on my work. Then I can maintain an optimistic attitude and rational thinking to solve the problem”*.

The role of trust is emphasised when communicating hardship: *“The more knowledge to grasp, the better. The more people whom I am familiar with, the better. I had better communicate things with people whom I am familiar with. The risk is bigger if I pass information to those people who are not trustworthy”* (Participant 1\*). *“In international business, the way for me to get a good understanding is asking other people. I would ask someone I trust, or someone whom I believe is professional in this field. I make a summary of their knowledge. I stand on their shoulders to learn”* (Participant 18\*). Although the original purpose of communicating hardship with a trustworthy contact is about pacifying negative emotion rather than ‘knowledge acquisition’, unconscious learning also emerges from the interaction with a social network: *“I chat with my friends and listen to their thoughts. We do business in this industry. We all know each other in the circle. Then we come out talking about this issue together. We can work together. The risk will become small”* (Participant 14\*).



The social learning method is highlighted in this situation: *“In fact, learning is between people, peers and teachers. As long as you have the intentions, you can learn so much from information exchange. You can absorb the essence of their knowledge carefully”* (Participant 10\*). Consequently, SME owners gain emotional support from social learning: *“My preferred learning style is to learn from others. They share their experiences from their mouths, which are more valuable than knowledge in books”* (Participant 18\*). Participant 18\* continues to explain that he is inspired by other people’s experience of dealing with challenges: *“as a matter of fact, everyone fears failure, but everyone pushes their head to move forward. It is just like a gambler. It’s the same way to do business. Everybody looks at the same direction and move forward rapidly to the same goal”*. Therefore, he becomes more comfortable with the emotional aspects of fear of failure after learning.

#### **4.2.3 Learning Outcome of Pacifying Negative Emotions of the Fear of Failure: Enhancing Motivation**

The negative emotions anticipated with the emotional experience of the fear of failure prevents SME owners from deciding to enter an international market. For example, participant 10\* indicated *“I cannot do this”* (seizing the international opportunity). Later, the participant 10\* emphasised on the adverse effects resulting from his negative emotional by answering: *“It is necessary to go through these processes: the more I feel anxious, the more I worry about, the more bad things that I talk about: they are not necessarily for doing business. The more urgent I am in doing business, say that in a word, money doesn’t come into an urgent door”*. In the later dialogue of responding to the researcher’s question *“In that situation, what individual characteristics/skills helped you manage your attention to learn new information and eventually to better evaluate this international opportunity?”* The participant 10\* described his learning

experiences contributing to pacify negative emotions as follows: *“I passed the obstacle from a profound experience. I feel ease. I know why I feel so worried. I feel everything is so calm now... my problem analysis skill is about a balance (between emotion and cognition). My mentality is very peaceful. Yes, peace”* (Participant 10\*). The above data illustrated that learning contributes to pacifying negative fear of failure emotions assists SME owners in building up a ‘peaceful mind’. Participant 10\* continues to explain that his emotional change enhances better analysing a new international market: *“As long as I have a peaceful mind, failure will not be out of control. I can adhere to the principle of guaranteeing my products quality. During the waiting time, I need to thoroughly study and evaluate international business opportunities via various information”*.

The above findings indicate that the learning results generate an emotional change in response to fear of failure. Similarly, Participant 2\* mentioned ‘*not afraid*’ to clearly explain his emotional change: *“It is the experience. It is my capability and the psychological strength. I’m not afraid of failure, and be willing to take risk”*. Indeed, this emotional ‘change’ can help SME owners to establish a connection between fear of failure and hope of success: *“I view myself as a normal person and view my business as a normal thing. It’s like a parabola with high and low. There is a success while there is a failure. There are no ever-victorious generals. No one may be plain sailing. You’ve got it done; it might fail, then face the failure”* (Participant 16\*). Participant 16\*’s saying demonstrates failure acceptance. Participant 18\* also demonstrated emotional change after learning, regarding this as a process as self-regulation: *“Emotional self-regulation is necessary for me. This is about how I define success and failure. Everybody wants to succeed, but success is not easy. It’s too difficult to make my name famous within one night. Impossible! It’s impossible to say I set up my company today then I exploit an international market successfully tomorrow. Everybody moves forward step by step,*

*learning a bit by a bit”.*

First, SME owners changed their attitude from ‘fear of failure’ to ‘accept failure can occur anytime’: *“when I evaluate an international business opportunity, I think what if it happens. I will go on the good side. I don’t keep thinking ‘can’t do’. I have an optimistic attitude to overcome fear. Let me use a better rational way to deal with this transaction by analytical skills”* (Participant 14\*). Second, SME owners tended to view failure as a temporary result with the possibility of success in the long run. This is due to the emotional change in the fear of failure experience that facilitates their gaining hope of success: *“I think there is nothing scary about success and failure. Failure is temporary. I think there is nothing to be afraid of”* (Participant 2\*).

Consequently, the research finding reveals that emotional change after learning is beneficial to enhance an SME owner’s motivation. SME owners demonstrates a more positive attitude after learning. Participant 4\* uses a metaphor of ‘water’ referring to internationalisation. *‘Try the water’* means that SME owners would not know whether ‘the water is deep or shallow’ (implying risk and uncertainty) until attempting to explore this overseas market. *“I try the ‘water’ first. I feel better later”*. Participant 17\* said *“try the water”* to show his motivation. Participant 7\* uses the same metaphor to illustrate: *“Try the ‘water’. I can see the risk after the trial. I think trying is the best way. Because the platform where I do business is small. I take this market step by step, looking at my way to do the business to avoid risks. Nothing else”*. Additionally, Participant 10\* used other metaphors to show his determination in this challenging and stressful situation: *“Fear the wolf in the front, fear of the tiger behind. I have to go forward in this situation, fight! I put efforts certainly”*. Participant 16\* also demonstrates motivation by expressing the intention to solve problems and face her fear of failure emotions:

*“How can I overcome my fear? How to solve this problem? It is hard to solve the problem because I'm always in a passive position..... I think the international trade is not about avoiding risk but seeing risk as a real existence. It depends on me: how to solve it, how to face it”.*

Learning happens through self-reflection after challenging emotional experience and communicating hardship with trustworthy contacts. It forms a learning process contributing to pacifying the negative emotions of fear of failure. Moreover, pacifying negative emotions helps to progress SME owners to the next learning level in knowledge development: *“When the corresponding fear and worry slowly weakened, I will think of a solution certainly”* (Participant 16\*).

**Table 4-4 Representative Quotations and Organising Themes: Pacify Fear of Failure Emotions**

<p><b>Self-reflection of challenging emotional experience</b></p> <p>Participant 18*: <i>I always talk to myself: I'm more successful than other owners of my age. What I need is patience to focus on what I am doing, move forward step by step down-to-earth. I don't want to seize an international market within one night to make myself a millionaire. I want to ensure what I'm doing is meaningful and contributing to everyone.</i></p>
<p><b>Communicate hardship with trustworthy contact</b></p> <p>Participant 13*: <i>What did I learn during this process? Right, ah, it should be said that it is to broaden our horizons. We also accepted the advice of many friends. We learn from each other about some inspired multi-angle analysis of international business opportunities.</i></p>

**Emotional change: gain hope of success (motivation)**

Participant 16\*: *It's such a state of mind, instead of feeling fear about just a single case at a specific time. If I fear, I don't go to the international market. When I talk about business with the clients of the international market, if a failure occurs, I still believe that we have a chance of cooperation in the future. Impossible for everything to be successful. Just like China's bid to host the Olympic Games, the first-time application fails but the second time succeeds. If fear, do not have to go to the bid. I have to accumulate experiences! I accumulate my first failure experience for the next successful accumulation. I cannot grant every first attempt for success. It is impossible.*

Participant 10\*: *I first try. He (overseas partner) told me for ordering ten or eight chairs to try. Anyway, I do export. Transportation is crossing the sea which the logistic period is so long. I need a big amount to do the wholesale. They will give me big orders after trying. So it helps a large volume of production. I have a large order. I can reduce costs.*

Participant 17\*: *when everyone begins to do international business, he/she holds a state of mind: 'trying to do it'. Everyone is like this. If someone wants 'I promise to be successful' from the start, to ensure that 'how much amount of making money', is there such a group of people? There is! But they will not succeed generally. At the start, my mind is definitely 'I like to try it', a state of mind about 'trying'. How to describe this feeling? It is about whether I can do this business or not. The overseas market looks excellent, looks beautiful, so how about I send a batch of goods exporting to have a try? If I don't export, I don't know it. If I don't deliver my products, I don't know the answer.*

## 4.3 Knowledge development

### 4.3.1 Searching for solutions via self-reflection

The finding indicates that SME owners search for solutions via self-reflection, particularly critical risk assessment experiences, and relevant decision-making experiences: *“There is certainly some reflection from experience. There are many differences between a market and other markets. The basic process and the basic way to do business are the same in international trade”* (Participant 12\*). The learning aim is to get a better understanding of the overseas market in order to better position their own product: *“Learning experience (is important) because we do not understand a new market. Learning is mainly from my old experience. I do international trade, accumulating a little bit by bit, from small to large”* (Participant 2\*). This finding is in line with the experiential learning method to develop new knowledge. SME owners draw on their international experiences and skills to internationalise their SMEs: *“It’s from my own experience accumulated over a long period of time. It’s a correct way to judge market positioning. I can be more confident. As a priority, I want to conduct a market assessment”* (Participant 4\*). Participant 7\* tends to draw on the experience of others joining overseas markets to learn: *“There are risks in the world, such as Taiwan, Malaysia, and Thailand. I think the assessment is too broad. I generally take my way as ‘from small to large’. After the first try, I can foresee the future”*. Other SME owners tend to reflect on prior failure experiences: *“my example of change thinking mode from my failure experience. Careful stocking is my learning experience”* (Participant 1\*). Participant 15\* refers to his overseas market withdrawal experience to search for solutions: *“We withdraw Australia. Why? It is a huge risk. Then I will not take risk”*.

### 4.3.2 Absorbing internationalisation information via interaction

SME owners demonstrate social learning behaviour, including interactive learning skills and vicarious learning skills. First, SME owners ask industry experts to gain critical information and expertise on the international market: *“A lot of learning opportunities. To increase the contact from overseas activities: contacting consulates, lawyers and accounting firms, and attending annual meetings or seminars, as long as I have time to go”* (Participant 9\*). The core aim of social learning actions at this stage is to absorb internationalisation information to increase an individual’s confidence in forming decisions: *“Courage and confidence. Of course, I aim to understand the market, to seize a business opportunity after fully understanding of the entire information”* (Participant 2\*). Therefore, SME owners gain an in-depth understanding of overseas market risk and find solutions through learning. *“Learning comes from my previous experience. I will turn to some professional institutions. I consult some industry friends about how they resolve these risks when they meet the same problem. Peers’ and same industry friends’ experiences are the information sources”* (Participant 12\*). SME owners interact with a wide range of social networks to absorb internationalisation information, including external industry experts (financial staff, lawyers, audit team/accountants), internal experts (sales, engineers, other professionals), and overseas business owners. For example, some SME owners choose to learn from external experts specifically to gain overseas market knowledge: *“When I met a problem, I asked relevant experts questions to expand information scope, and enriching information channels”* (Participant 6\*). Furthermore, Participant 16\* prefers to learn from successful role-models: *“I could go to find a successful person in this industry, learning from him/her. Just ask. The more the better! Because ‘the more’ means that the more information you get, you can absorb and make a summary. It means the more information you gather, the*

*more accuracy your judgment is. The less information, the less judgment accuracy. It is very important!"* Participant 11\* also indicates learning from successful people as a 'reference': *"You can use it as a reference. You really have to see some successful people"*.

Social learning is not limited to 'outsiders' (external institutions or experts), but also includes 'insiders' (shareholders, staff, and engineering professionals): *"people related to my business, including a wide range of practitioners. I have business communications including the sales, engineers, and law practitioners. I try my best to talk to them. Then they give me advices. It is very critical to me"* (Participant 13\*). Furthermore, Participant 18\* demonstrates that he gains new knowledge after interacting with overseas business partners: *"I learn during the negotiation. I have a look at this product. I have to know my profitable point and their profitable point. I can establish an evaluation immediately. Then I know how to get the economic return from exporting this product, as well as the way to make the profit, I have a potential evaluation inside my brain. I should have a probable business strategy in my mind. I feel confident about this international market"*.

In addition to communicating with networks, some SME owners choose vicarious learning methods to absorb internationalisation information, including the internationalisation processes of big companies, domestic companies in the same industry, even other business failures. For example, Participant 1\* mentioned: *"I learn from the Japanese companies to find something good...make further improvement according to the feedback"*. Similarly, Participant 5\* demonstrated the same learning skills: *"I learn from other small companies like 'Jenny'. This small company has a long history that we can learn advanced technology from them"*. Participant 10\* refers to



industries in Europe and the United States to learn from: *“there are so many to learn: management and entire market trend, which can help us”*. Participant 2\* learns from the public online forum *“the FOB Business Forum in China”* to assess new international markets.

Although SME owners may establish and draw on a wide range of social learning, they are very strategic to ‘select’ useful information to create new knowledge: *“Well, it is worth us and some other domestic enterprises to learn. Yes, I have to learn. But it does not mean that we must take them all, such as product information or market engagement. We must do something suitable for ourselves”* (Participant 5\*). Participant 6\* articulates ‘information merge’, or blending, as the key stage of knowledge development: *“I merge the notices from experts and related staffs through the brainstorming ideas. I extracted their views with my own experience, in comparison with the experts’ advice”*. As a result of the learning outcome, SME owners are able to integrate various learning resources to analyse a new international market from multiple perspectives: *“The final decision should be multifaceted. I need to understand it. Learning by asking colleagues. There are experts, friends...all channels now. I make a comprehensive analysis. It sounds like a very good view. I first check the information, then consulting an expert or friend. Later I deliver my comprehensive analysis”* (Participant 18\*). Participant 11\* used the word ‘summary’ to illustrate the learning integration, which contributes to analysing a new international market in more depth: *“Say my business, in fact, I have to continue absorbing all kinds of knowledge and multi- level information. Then I put all of this information when it comes to a summary, combined with my business; I can see the opportunity more clearly”* (Participant 11\*). Consequently, the overall learning journey facilitates new knowledge development regarding making internationalisation decisions, such as Participant 18\*’s learning experience as follows:

*“What I have learned can be summarised as being rational and being modest to evaluate the opportunity. I make a judgment about whether other people’s talking can make sense or not. Therefore, I get to integrate them into my theory, determining the validity and feasibility of an international opportunity. I have to evaluate this new market to think about: whether I can undertake it or not according to the current situation of my enterprise”.*

**Table 4-5 Representative Quotations and Organising Themes: Knowledge**

**Development**

<p><b>Searching solutions via self-reflection</b></p> <p>Participant 9*: <i>My work experience is considered. In the past, my main product was the Bluetooth machine exchange project. My work was guaranteed to export the equipment and materials. Then my experience may be still apply on assessment or control the particular project risk.</i></p> <p>Participant 15*: <i>Of course, I have not entered the market by exporting this product: I do not know! But I definitely reflect the same product in the market. Then I make an investigation certainly. I have to analyse it from this case, to find some sales from this product case, as well as the volume of sales, including its profit margins. To understand why, and how to do this thing.</i></p>
<p><b>Absorbing internationalisation information via interaction</b></p> <p>Participant 14*: <i>I will consult with them through more e-mail exchange, then let them give me some information to lay a better foundation for me to take actions in the next step. Let me better distinguish the differences between each country between the two countries. Through my exchange with the local friends, and online inquiries, I learn these things.</i></p> <p>Participant 7*: <i>International opportunity comes from a certain depth of cooperation with the customer, not just the provision of new products... continually learning new things... contact more people, communicate with more people.</i></p> <p>Participant 6*: <i>To learn from foreign experts’ experience, to learn from the relevant experts, to learn financial knowledge from financial experts, to learn legal knowledge from legal experts, to deal with experts in various fields, so that I accept views from different parties, and get access to professional knowledge, experiences, methods.</i></p>

### **Absorbing internationalisation information via interaction**

Participant 15\*: *I must absorb young people's thinking because their thinking differs from mine. Mine is a traditional way of thinking. Now, 90's generation, their way of thinking is not the same with mine. Their understanding of the international market is different.*

Participant 18\*: *I evaluate the international opportunity profitability according to what my shareholders say. I make a judgement on this international opportunity according to their response. In addition, I also learn from my employees to figure out potential problems if our team exploit this opportunity... I learn from them to understand which way is the best one to export my products. I think about can I expand exporting all of products in my entire business? How can I get a larger economic return from exporting products? As I'm doing international business, I always ask my overseas clients about my product, is it good or not?*

### **4.3.3 Learning Outcome of Knowledge Development: Risk and uncertainty management strategies**

The research finding indicates that knowledge development contributes to building up risk and uncertainty management strategies in internationalisation. Consequently, SME owners gain clarity of thinking as a result of the cognition change after learning. It enhances their capability to manage sources of fear of failure, including failing to manage risk and uncertainty, as well as internationalisation failure consequences.

First, learning facilitates SME owners' ability to identify the risks in internationalisation. *"Opportunities are everywhere, but sometimes risk happens. I give up. All of my hard work would go"* (Participant 8\*). Participant 4\* underlines a 'controlling risk' strategy in decision-making: *"These controllable factors must be under my control...I may not earn a profit, but I cannot lose money"*. Participant 2\* continues to explain the importance of risk control: *"What I learn from international trade is risk control... opportunities and risks coexist. Anything is risky, but I have a chance. I assess the risk. I can afford it, and be able to control"*. Furthermore, another SME owner, Participant 1\*, places an emphasis on learning: *"The best way to reduce risk is learning, such as the patents risk and logistics risk. I rely on knowledge to avoid a lot of risks"*.

Therefore, SME owners can proceed with risk aversion strategies in internationalisation:

*“As far as possible, I have to avoid the risk”* (Participant 12\*).

Second, learning facilitates the SME owners’ abilities to generate strategically based on the ideas that ‘safety comes first’, in the context of making internationalisation decisions. For example, Participant 17\* illustrates uncertainty creates ‘unstable factors’: *“Learn to suffer less financial loss. I don’t run business where there are too many unstable factors.”* Similarly, Participant 15\* indicated: *“It is a big risk that I do not touch! We want safety! Why? Safety comes first! We cannot do it!”* The reason for ensuring that ‘safety comes first’ is because of the consequences of not doing so: *“I mean the failure affects me. I analyse this opportunity rationally because I may not be able to bear the failure consequences”* (Participant 13\*). Importantly, ‘safety comes first’ leads to the consideration of ‘affordable loss as the bottom line’ in making internationalisation decisions. There are critical risk and uncertainty strategies with which to manage the consequences of fear of internationalisation failure. For example, Participant 13\* said, *“I concern it. So I will set a limit. If the risk expands to a certain level that I cannot afford... If it hits the bottom line, I stop it no matter how much I lost”*. In a risk-taking situation, SME owners think about ‘what if the failure occurred’ and come up with the ‘worst-case scenario’ to foresee the consequence of internationalisation failure:

*“When I am assessing international business opportunities, I think about a worst-case scenario and a best-practice plan. A worst-case scenario, if this is the case, what the worst looks like exactly. It is a big deal for me. Then I step back to solve it. I consider this matter with decision-making..... Even if there is any problem, I have a guaranteed result. Then it is entirely possible to try this opportunity. I think no need to fear this failure”* (Participant 2\*).

Participant 17\* expresses a similar view with the help of establishing strategies about ‘safety comes first’, ‘affordable loss as the bottom line’ and ‘worst-case scenario’:

*“I don’t feel fear of failure too much now because I only do business that I can afford to lose. I will not be disturbed if I can bear the loss. I first consider whether I could accept the worst consequence or not. Safety is the most important. Big ups and downs are not good. The greater risk, the greater profits. But I do not like to take a lot of risks to do business”* (Participant 17\*).

In addition, SME owners evaluate the trustworthiness of overseas networks to manage risk and uncertainty: *“I try to avoid of failure. I always choose the most trustable manufacturers and foreign clients to cooperate with me. I have to bear the consequences of failure personally”* (Participant 8\*). Participant 1\* anticipates ‘trust’ as the criterion for internationalisation cooperation and international markets assessments: *“these overseas partners whom I work with must have a strong sense of the cooperation, and they cannot do whatever they like. If the partner has a strong business sense, then my business would be very good. So the final analysing is about analysing people.”*

Last but not least, SME owners in China follow China’s government internationalisation policy advocacy to control risk and uncertainty. Participant 9\* clearly indicated that China’s government’s ‘One Belt, One Road initiative’ (OBOR) guiding his overseas markets selection: *Now my company considers focusing on these countries along the way: “One Belt, One Road”*. Participant 14\* continues explaining China’s policy support facilitates him to seize the international opportunity: *“China’s government’s policy, ‘one belt, one road’ along the way, encourage we small and medium enterprises to go out. So we follow the government’s policy to go forward. Also, my export needs the local government’s support. I need to get their support or get their attention. In this way,*

*it can better help me enter their market. It is for my benefit. The opportunity certainly belongs to me*". Furthermore, other SME owners in China stick to 'Tax Rebate' policy to withstand risk and uncertainty. Participant 17\* illustrated the benefits of tax rebate drives his internationalisation decision: *"China has an agricultural export tax (refund). I 'eat' the tax rebate as the profit. China's government can adjust tax. I put the national interests as a priority"*. Participant 4\* also expressed the same view on China's government internationalisation advocacy to support with making internationalisation decisions: *"I check information online concerning import and export: some latest export tax rebate standards policy, policy support for non- governmental trade, and much other preferential policies. As a businessman, I must grab market information"*.

**Table 4-6 Representative Quotations and Organising Themes: Risk and Uncertainty Management Strategies**

<p><b>Risk aversion</b></p> <p>Participant 5*: <i>First of all, I feel that we can afford it. From the very beginning, I stressed that the cost of failure must under control.</i></p> <p>Participant 18*: <i>I think the opportunity with high feasibility should cover following points: first, the risk level should be as low as possible; second, the returning profit from exploiting this international opportunity should cover its risk: if its returning profit can cover its risk, I say I know the possibility of winning. I can get back my early investment from getting back the earning profits. Even if the risk level is quite high, but once the opportunity succeeds, its profit will bring my entire investment back. It is a balancing point, the returning profit should always be higher than its risk of losing investment. I have to manage the possibility of success and take all of the risk factors into account.</i></p>
<p><b>Worst-case scenario</b></p> <p>Participant 7*: <i>I have the worst plan: assuming that the business would have the worst result. I analyse our company could withstand the worst results. Then I make a decision. Not consider the best, but consider the worst. Then I see whether I can afford it or not.</i></p>
<p><b>Evaluate the trustworthiness of overseas network</b></p> <p>Participant 11*: <i>I have screened their trust. If they work with me, their values and methods of doing things are similar with mine. I am willing to accept them. I would set a company in Australia afterwards, right? Although I invest, I would find someone who is professional in the area. I leave him to take full responsibility for everything to get involvements. I will take less control. I will believe this is right to do.</i></p>

**Follow China's internationalisation policy advocacy**

Participant 12\*: *This policy also has a lot of impacts. My business is in transition now, to Southeast Asia, mainly in the area followed by "One Belt And One Road" policy. But recently I was seeking business for more than two months in Southeast Asia. I went to 9 to 10 South-east Asian nations, looking for new trade opportunities and some investment opportunities.*

Participant 6\*: *My business follows 'one road one belt' for foreign market development. I follow China's national call and policy, in response to the 'One road one belt' policy for gaining the state income.*

Participant 9\*: *There is policy support, such as supporting Chinese equipment export with a tax rebate. It is a big policy support for my overseas business. I take advantage of the policy concessions*

As such, developing a risk and uncertainty management strategy, becomes a learning outcome of knowledge development, contributing to assist SME owners to manage the cognitive aspects of fear of failure: *"There is nothing dreadful. I can afford the result. I have nothing to fear if I can afford it. You fear if you cannot afford it"* (Participant 2\*). Participant 1\* holds the same view: *I mean the entire process has no problem. I make sure the money is safe. To ensure that the risks are manageable, I think there is no "fear of failure."* Consequently, risk and uncertainty management strategies support SME owners in achieving a cognition change: gaining clarity of thinking. It is beneficial to manage fear of failure experience in the context of making internationalisation decisions: *"I learned a lot of methods to do business. I refuse to blindly follow my ideas to go. We can make a change for a new way of thinking. I export a product out. The locals may say products do not meet their needs. Then we may be able to adjust my strategies and plans, as well as to modify the direction to meet their local tastes."* (Participant 14\*). As such, Participant 14\*'s experience emphasises the cognition change after learning. Thus, SME owners demonstrate greater clarity of thinking when experiencing fear of failure in the context of making internationalisation decisions. *"It*

*depends on some professional analysis. Now when I confront any problem, I think that I cannot take the 'fear' as the point of view concerning risks. I need to change ideas, to change my way. I need to focus on the problem. Therefore, there is no need for me to fear failure” (Participant 7\*). Finally, learning helps SME owners to enhance decision-making in internationalisation.*

**Table 4-7 Representative Quotations and Organising Themes: Cognition Change after Learning: Gain Clarity of Thinking**

*Participant 11\*.say my business, I usually have to continue to absorb all kinds of knowledge and multi-level of information. Then I put all of this information when it comes to a summary, combined with my own business; I will see the opportunity more clearly.*

*Participant 12\*: I prefer to give up the big interests and seek a more secure way to grasp and enter the market. I may lose some parts of the benefits in the process, but I think I should still choose safety as a priority in the international trade process.*

*Participant 1\*: I need to constantly sum up my previous mistakes because I process the information very objectively. Quickly change my thinking mode on products ...come up with a summary of my analysis. At that time we used 'referral marketing' that we have never done before. For the uncertain product, I will use a different common sense.*

## **5. Theoretical Development**

The findings of this study reveal the consequences of learning as the individual SME owner's behaviour response when experiencing fear of failure, in the context of making internationalisation decisions. This paper draws on the *social theory of learning*' (Wenger, 1998) to inform investigations on learning when experiencing fear of failure. Learning, with its effects in managing the fear of failure, both emotionally and cognitively, includes the pacifying of fear of failure emotions and knowledge development. They support internationalisation decision-making through improving the coherence between feeling and thinking. By demonstrating so, I discuss these research



findings in the following paragraphs and which are followed by offering corresponding propositions.

This study finds that fear of failure triggers specific individual-level learning behaviors by SME owners in the context of making internationalisation decisions. It extends the link between fear of failure and learning in an entrepreneurship setting (Cacciotti et al., 2016) transitioning to an internationalisation context. First, fear of failure is a learning trigger to direct SME owners' exploration and investigation. Under the emotional impact of fear of failure, SME owners may not acquire clear 'cognitive evidence' about what is happening at this stage. Second, this study observes that SME owners change their perceptions on fear of failure under the impact of learning: instead of viewing fear of failure as a purely negative emotional experience, they tend to view failure as a learning opportunity: they view loss as the learning cost and further view fear of failure as a warning to investigate the potential crisis. Fear of failure may be an individual's self-evaluating framework that determines how they will define, orient to and experience failure in achievement situations (Heckhausen & Baltes, 1991). In addition, the research findings see learning as a 'moving back and forth' process between an experiential learning strategy and social learning strategy. This study echoes that learning is not static and isolated construct, but dynamic ongoing experiences existing in a certain time and situation (Kolb, 1984) and a continuous process involving an individual's interaction with the environment (Bandura & McClelland, 1977). Furthermore, learning is one of the key factors defining internationalisation processes as well as a critical sub-process of knowledge development in the IP model (Vahlne & Johanson, 2017), which has not been studied at the individual-level. The process of internationalisation postulates different learning strategies: the experiential learning and social learning (Ellis, 2011). The findings of this study point out that the complexity and multidimensionality of the learning process

are happening at the individual-level. Furthermore, this study reinforces the view that an individual's managerial characteristics are determinants of international behaviour that directs their focus, which is essential to comprehending experiential learning and knowledge development in internationalisation (Michailova & Wilson, 2008). There are various learning methods contributing to managing both the emotional and cognitive aspects of the fear of failure experience in internationalisation, including (1) self-reflection on challenging emotional experience; (2) communication of hardship with trustworthy contact; (3) searching for solutions via self-reflection; (4) absorbing internationalisation information via interaction. Learning is a back and forth process because SME owners synergise the learning outcomes which are overlapping at different learning stages. SME owners demonstrate different individual learning styles/skills when experiencing fear of failure in their unique situations. As such, the above research findings lead to the following proposition:

**Proposition 1:** Fear of failure triggers the SME owners' learning behaviour in the context of making internationalisation decisions. Learning is a back and forth process integrating both experiential learning methods and social learning methods.

Second, this study finds that learning contributes to pacifying fear of failure emotions. When emotionally experiencing fear of failure, SME owners engage with self-reflection of challenging emotional experience. The finding on SME owners' self-reflection supports the view that the process of learning is experiential (Kolb, 1984). Also, this study reinforces the dynamism of transforming individuals' experience to creating entrepreneurial knowledge concerning pursuing opportunities (Politis, 2005). SME owners may also communicate hardship with trustworthy contacts. The importance of

'trust' is highlighted in social learning in this stressful situation. The research finding supports the view that fear of failure depends on one's perception of the informal institution of the social encouragement (Wennberg et al., 2013). As such, learning with its effects in generating changes in the emotional aspect of fear of failure experience, assists SME owners to gain the hope of success (Decharms & Dave, 1965), which is a pivotal individual's motivation concerning the need for achievement and one's subsequent choice of a task (Atkinson 1957). An individual's motivation is predominantly in encouraging the initiation of international activities and subsequently choosing the appropriate scale and scope of operations by their firms in international markets, as well as their efforts in setting out to and achieving internationalisation goals (Zahra et al., 2005). Learning contributes to an understanding of the current argument on the 'motivating' value of fear of failure. Fear of failure both inhibits and motivates one's behaviours: individuals may work harder to avoid failure and ultimately achieve success (Carsrud & Brännback, 2011; Hayton et al., 2013; Morgan & Sisak, 2016). Thus, the impact of fear of failure varies enormously with context, and in ways that reconcile the apparent paradox above. This paper argues that fear of failure can indeed be a "fuel" to success (Morgan & Sisak, 2016) when combined with learning. Thus, this paper concludes that motivation is a learning outcome of managing fear of failure. This would suggest the following proposition:

**Proposition 2:** Learning contributes to pacifying fear of failure emotions, generating the emotional change of fear of failure and hope of success. SME owners learn via self-reflection on challenging emotional experience and communicating hardship with trustworthy contacts. The learning outcome helps a decision-maker to enhance motivation.

Third, making internationalisation decisions is determined by an individual's cognitive assessment when confronting the challenges of risk, uncertainty and obstacles. Learning contributes to knowledge development, which is a salient process of the IP model (Vahlne & Johanson, 2017). SME owners employ experiential learning strategy represented by searching for solutions via self-reflection, in particular key decision-making and internationalisation experiences. This finding agrees with the social learning strategies and the view that contextual learning supports decision-making (Rae, 2004, 2006). Social learning strategy is also dominant in the context of making internationalisation decisions, including interactive learning with external outsiders and internal shareholders, as well as vicarious learning from other internationalisation activities. Thereby, SME owners can absorb internationalisation information via interaction. The finding of this study supports that decision-makers should be capable of using multiple information sources providing new knowledge on potential opportunities; then utilise appropriate knowledge gained from prior learning and experience to evaluate the opportunity (Fiet, 2002).

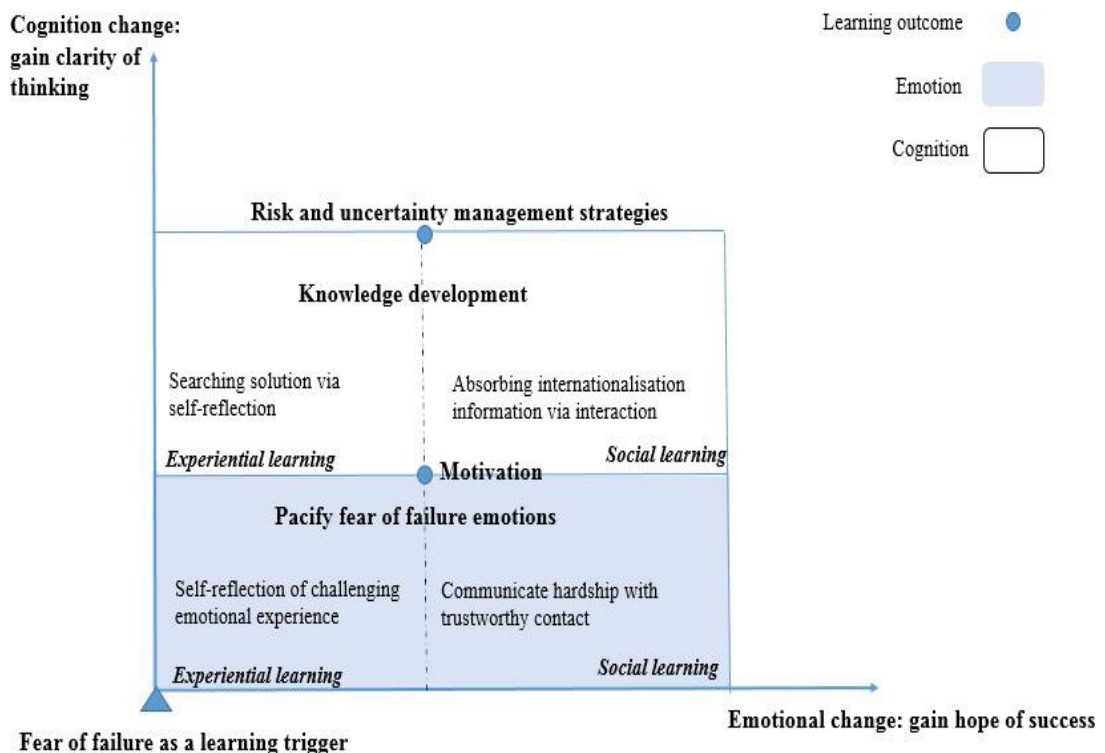
As a learning outcome, SME owners improve on risk and uncertainty management strategies. Multiple risk and uncertainty management strategies are applied to manage fear of failure in the context of making internationalisation decisions, including risk aversion: 'safety comes first'; worst case scenario; affordable loss the bottom line and evaluation of the trustworthiness of overseas network. In particular, SME owners follow China's government internationalisation policy advocacy to address risk and uncertainty management. This finding stresses the importance of risk management in the process of internationalisation (Clarke & Liesch, 2017). The individual decision-maker's risk management behaviour influences the risk levels of the firm and its strategic options (Liesch et al., 2011). In turn, learning, with its impact, generates the cognitive change of

the fear of failure experience, helping SME owners to gain clarity of thinking. Hence, this study develops the following proposition:

**Proposition 3:** Learning contributes to knowledge development, generating cognitive change in fear of failure to gain clarity of thinking. SME owners search for solutions via self-reflection, and absorbs internationalisation information via interaction. The learning outcome helps a decision-maker to improve on risk and uncertainty management strategies.

This paper utilises the above research findings in the following framework (Figure 4-2). I created an empirical framework based upon the research results.

**Figure 4-2 Empirical Framework: Learning when Experiencing Fear of Failure in the Context of Making International Decisions**



The model indicates that fear of failure as a learning trigger in the context of making internationalisation decision. The model highlights that the learning experience is a back and

forth process integrating both experiential learning and social learning methods. Learning contributes to managing the emotional aspect of the fear of failure experience. As a learning outcome of pacifying fear of failure emotions, SME owners enhance their motivation to enter a foreign market. Furthermore, learning contributes to managing the cognitive aspect of the fear of failure experience. Learning is a knowledge development process leading to cognitive change. SME owners gain risk and uncertainty management strategies as a result of the learning outcome. Consequently, learning helps to manage both emotional aspect and cognitive aspect of the fear of failure experiences: SME owners gain hope of success and clarity of thinking.

## **6. Conclusion**

The aim of this paper was to explore how SME owners' learning behaviours when experiencing fear of failure in the context of making internationalisation decisions. It uncovers the interplay between learning and emotions in international entrepreneurship research (De Clercq et al., 2012). The link between fear of failure and learning (Cacciotti et al., 2016) is supported in the internationalisation process. Integrating experiential learning strategy and social learning strategy, this study indicates that fear of failure triggers learning. In turn, learning outcomes contribute back to managing fear of failure experience by increasing the coherence between thinking and feeling. Furthermore, this study illustrates the learning journey as a back and forth process when experiencing the fear of failure. It makes efforts to uncover how individual-level learning behaviours make an impact in decision-making for the internationalisation of a firm. Moreover, this study offers an exploratory attempt to explain that learning is not limited to knowledge of what works and what does not. Consequently, this study provides deeper insights into advancing internationalisation literature. This paper empirically researches under-explored issues on emotion and internationalisation (Van de Laar & De Neubourg, 2006),

as well as investigating how individual-level characteristics impact a firm's internationalisation process (Coviello et al., 2017). The empirical finding of this paper provides a useful framework for sparking future researchers' interest in exploring the issue of learning and fear of failure.

Despite its contributions, this study contains three limitations. First, the research findings are based on the context of making internationalisation decisions. These findings may not be able to extend to broader IB contexts. Second, this study is of an exploratory nature. This encourages future quantitative researchers to test the propositions of this study using large samples across different international settings. Third, this study forges a new focus on individual-level learning in internationalisation research. Although 'learning' is topical in internationalisation research, its value extends to firm-level learning or collective learning, but ignores that fact that it is the individual manager/SME owner, or key decision-maker, who must learn first, then transfer their insights to the whole organisation. This study notes the interaction between individual learning and organisational learning among SMEs. For instance, SME owners learn from their internal staff or colleagues. However, it is still the SME owner who makes the final decision, which means learning occurs at the individual-level in the decision-maker. I hope to invite future research to examine how SME owners create their knowledge and ultimately transfer this knowledge, sharing learning outcomes with their SMEs. More importantly, this paper calls for future research to examine the boundary between individual-level decision-maker's learning and the organisational-level SMEs' learning. It may add value to explaining the continuity of learning in the process of internationalisation.

As a contribution focused at the managerial level, this paper adds value to the training programs in internationalisation and entrepreneurship education. Krueger (1993)

raised a relevant implication for entrepreneurship education: teaching a relevant skill is not enough; the trainee/student needs to perceive that the actual use of the skills is feasible. The learning framework answers a call from Parker (2006, p. 19): any designed learning program to enhance decision-makers' sensitivity to new information should emphasise the need for continuous awareness and learning and the importance of flexibility. The learning framework developed in this study contributes to assisting SME owners to establish a learning identity when experiencing fear of failure. It helps SME owners to cultivate 'proactive generative learning' (Cope, 2005) in challenging situations. As such, the investigation of learning and fear of failure in this paper strengthens decision-makers to better evaluate international markets, and further promotes the sustained growth in internationalisation of Chinese SMEs.



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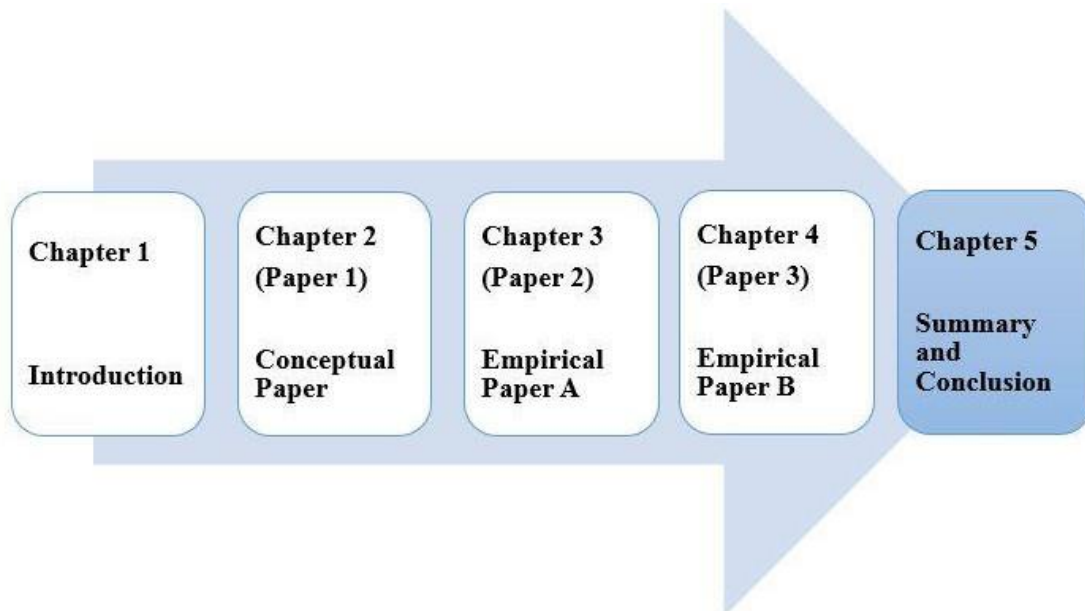
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## 5. Chapter Summary and Conclusions



## 5.1 Introduction

This chapter provides a summary of the thesis. It presents an overview of the research issues, findings and implications, demonstrating how this thesis meets the research objectives presented in Chapter 1. It presents its findings and a discussion of the integrated research framework. It then examines the theoretical foundations and managerial implications. In its conclusion, the study acknowledges the limitations of this thesis along with proposals for possible future research directions and concluding remarks.

## 5.2 Overview of Research Findings

This thesis has sought to investigate fear of failure in IB literature, focusing on the broad research problem: *'how do SME owners, responsible for internationalisation decisions, experience fear of failure in the process of the internationalisation of a firm?'*

The thesis comprises three related studies. Each study is written in journal article format. Accordingly, the first study, (Chapter 2) is developed as a conceptual paper based on a literature review. It offers conceptual thoughts on the internationalisation process and on a specific emotion, fear of failure. Consequently, it builds a theoretical foundation leading to the development of research questions. The second study (Chapter 3) is developed as an empirical paper A addressing Research Question 1. The third study (Chapter 4) is empirical paper B addressing Research Question 2. Both empirical papers use a qualitative method to analyse data collected by interviews with SME owners in China. Table 5-1 provides a comparison of the three papers.

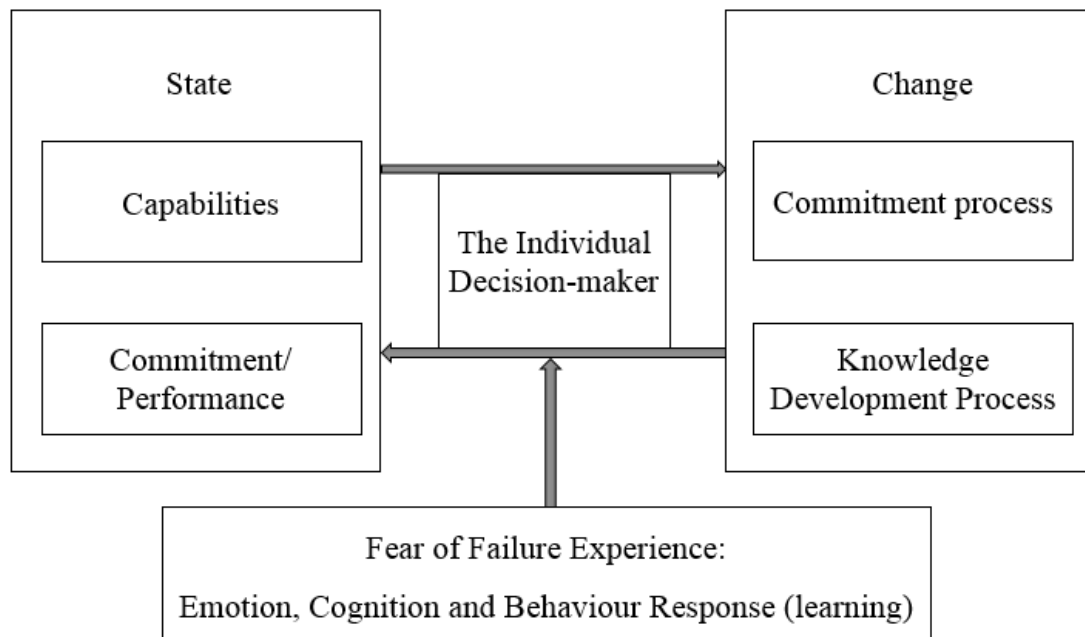
**Table 5-1 Comparison of Paper 1-3**

	<b>Paper 1</b>	<b>Paper 2</b>	<b>Paper 3</b>
<b>Research aim</b>	To improve consideration of emotion as an individual experience in the process of internationalisation of a firm.  To build up a link between fear of failure and making internationalisation decision of a firm.	To explore the SME owners' emotion and cognition when experiencing fear of failure in the context of making internationalisation decisions.	To explore the SME owners' learning behaviour response to fear of failure experience in the context of making internationalisation decisions.
<b>Research problem/ Research question</b>	Research Problem: <i>'how do SME owners, responsible for internationalisation decisions, experience fear of failure in the process of the internationalisation of a firm?'</i>	Research Question 1: <i>'How do SME owners experience emotional and cognitive aspect of fear of failure in the context of making internationalisation decisions for their firms?'</i>	Research Question 2: <i>'How do SME owners learn when experiencing fear of failure in the context of making internationalisation decisions for their firms?'</i>
<b>Type</b>	Conceptual Paper	Empirical Paper A	Empirical Paper B
<b>Focused Theories</b>	<i>IP Model; Emotion theories.</i>	<i>Theoretical model of the fear of failure; IP Model</i>	<i>Learning theories; Theoretical model of the fear of failure;</i>

<p><b>Research finding highlights</b></p>	<ol style="list-style-type: none"> <li>1. The role of individual decision-maker is central in the process of internationalisation.</li> <li>2. Emotion is inherent in making internationalisation decisions.</li> <li>3. Compare to fear, fear of failure is more clearly to guide its impact on the object of ‘fear what’.</li> <li>4. Fear of failure is a key achieve motive in the achievement context of internationalisation, determining one’s choice of risky action.</li> </ol>	<ol style="list-style-type: none"> <li>1. Fear of failure experience is a part of the internationalisation rather than an impediment.</li> <li>2. The decision-maker interprets risk and uncertainty in the internationalisation as the environmental stimuli, triggering emotional expression of fear of failure.</li> <li>3. In turn, emotional aspect of fear of failure works on cognitive assessment: fear failing to manage risk and uncertainty, as well as fear consequences of failure in the internationalisation.</li> </ol>	<ol style="list-style-type: none"> <li>1. Fear of failure triggers an individual’s behaviour, learning, in the context of making internationalisation decision.</li> <li>2. Learning is a back and forth process integrating experiential learning and social learning.</li> <li>3. Learning contributes to pacifying fear of failure emotions, generating hope of success as an emotional change.</li> <li>4. Learning contributes to knowledge development, gaining clarity of thinking as a cognitive change.</li> </ol>
<p><b>Theoretical contribution</b></p>	<ol style="list-style-type: none"> <li>1. To reconcile and integrate the internationalisation theory and entrepreneurship literature to better understand the role of individual decision-maker.</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop a framework to explain SME owners’ emotional and cognitive aspects of fear of failure experience in the context of making internationalisation decisions.</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop a framework to explain the SME owners’ behavioural response, learning, concerning fear of failure in the context of making internationalisation decisions.</li> </ol>

	<p>2. Introduce fear of failure, as a specific emotional factor, to the context of making internationalisation decisions.</p> <p>3. Develop future empirical exploration directions.</p>	<p>2 Extend IP model in international business literature by adding fear of failure experience.</p> <p>3 Suggest future research to explore individuals' behavioural response to fear of failure experience.</p>	<p>2. Open a new avenue of 'learning and fear of failure' in international business literature.</p> <p>3 Offer future research directions to explore fear of failure concerning other behaviours/ stages of the internationalisation/ context.</p>
<b>Practical contribution</b>	Help decision-makers to build up awareness of the fear of failure.	Help SME owners to understand fear of failure experience.	Offer SME owners a learning guide when experiencing fear of failure. Implications for establish training strategies.

### 5.3 Integrated Research Framework



**Figure 5-1 Integrated Research Framework for the Thesis**

Drawing on theoretical insights from the IP model (Vahlne & Johanson, 2017), this thesis explores how decision-makers experience fear of failure in the process of the internationalisation of a firm. Taken together, all of the research findings contribute to the integrated research framework for this dissertation (Figure 5-1). This thesis examines the context in which SME owners make internationalisation decisions, which is seen as important to the new ventures' entry into the international market. At this stage, SME owners encounter risk and uncertainty in the process of internationalising their ventures.

Paper 1 argues that the individual decision-maker is central at the micro-level of the internationalisation process. His/her decisions drive the internationalisation outcomes of a firm. The interaction between emotion and cognition in decision-making is an inseparable part of this process. Paper 1 also, draws a distinction between a temporary



emotional state and a stable disposition emotion. It then presents arguments focusing on fear of failure, a specific emotion in the context of making internationalisation decisions, as distinct from other emotions. The reasons for this include (1) risk and uncertainty are appraisals to determine fear of failure; (2) internationalisation can be perceived as an achievement context by the decision-maker, where fear of failure plays a dominant role; (2) fear of failure experience is context-specific.

In line with the theoretical argument on fear of failure, this thesis explains how SME owners experience the emotional and cognitive aspects of fear of failure (Research Question 1) and their behavioural response to fear of failure (Research Question 2) in the context of making internationalisation decisions for their firms. The empirical finding from Research Question 1 (Paper 2) reveals the interaction between emotion and cognition in the context of making internationalisation decisions. SME owners perceive risk and uncertainty as related to environmental stimuli, triggering emotional expression of fear of failure. In this way, SME owners experience fear of failure emotionally, including a mix of negative feelings of worry, disappointment and anxiety. In turn, the emotional aspect of fear of failure provides negative feedback to the SME owner's cognition process, shaping their assessment of forming an internationalisation decision. He/she perceives fear of failing to manage risk and uncertainty due to his/her limited capability and the disadvantages of small and medium-sized enterprises. He/she interprets the consequences of internationalisation failure as leading to detrimental impacts on the firm, with financial harm and opportunity lost, as well to the individual decision maker, who expects to lose motivation, social and business respect and hope. Consequently, fear of failure is of its experienced nature that is an inherent part of the internationalisation process, rather than a signal factor.

Exploration of Research Question 2 offers findings of learning, an individual SME owner's learning behavioural response to fear of failure experience in the context of making internationalisation decisions (paper 3). Fear of failure triggers learning, which is a back and forth process integrating both experiential learning strategies and social learning strategies. Learning contributes to pacifying fear of failure emotions, generating the emotional change in fear of failure: hope of success. SME owners learn via self-reflection on challenging emotional experience and communicating hardship with trustworthy contacts. The learning outcome helps a decision-maker to enhance motivation. Furthermore, learning contributes to knowledge development, generating the cognitive change of fear of failure: a gain in clarity of thinking. SME owners search for solutions via self-reflection and absorb internationalisation information via interaction. The learning outcomes help a decision-maker to build up risk and uncertainty management strategies. Consequently, SME owners synergise learning efforts to improve their decision-making in the internationalisation process.

As such, this thesis details how an individual SME owner experiences fear in the context of making internationalisation decisions, uncovering emotional, cognitive and learning behaviours embedded in fear of failure experience. It extends the IP model (Vahlne & Johanson, 2017) via centralising the role of individual decision-maker, so adding fear of failure as a new perspective.

#### **5.4 Theoretical Contributions**

This thesis makes theoretical contributions towards IB literature. Notably, past internationalisation research has often failed to integrate theories from other disciplines. This thesis theoretically draws across different disciplines (International Business, Entrepreneurship and Psychology) to comprehend fear of failure in the context of making

internationalisation decisions. This thesis summarises the core contributions as follows:

#### **5.4.1 Improve the individual's decision-making in the process of internationalisation of a firm from emotional perspective**

This thesis firstly contributes to advance the IP model (Vahlne & Johanson, 2017) from the standpoint of the individual's change concerning his/her emotions, cognition and behaviour. Second, this thesis joins the scholarly conversation on 'connecting internationalisation to people' to offer a comprehensive understanding of the individual's role as decision-maker in the micro-foundation of the internationalisation process (Coviello et al., 2017). The empirical finding strengthens our belief by focusing on the individual level (Jones & Casulli, 2014; Jones & Coviello, 2005; Reuber et al., 2018), which is missing from other IP models (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017). Third, this thesis joins the conversation on 'emotion and the internationalisation' (Meyer & Gelbuda, 2006; Van de Laar & De Neubourg, 2006). By employing emotion theories concerning decision-making (Clore & Huntsinger, 2007; Lerner & Keltner, 2000; Smith & Ellsworth, 1985), the research findings uncover an individual SME owner's emotional experience of fear of failure, which is complementary to his/her cognition (managerial capability) in the internationalisation process (Clarke & Liesch, 2017; Coviello et al., 2017; Dow et al., 2018). Another important finding from this thesis relates to the SME owner's capacity for change, learning as the behaviour response to fear of failure, so enhancing the role of decision-making in the internationalisation process. Learning outcomes contribute to managing fear of failure, so leading to an SME owner's emotional change as enhancing the hope of success, and cognitive change as gaining clarity of thinking. Consequently, learning helps SME owners' commitment to new international market exploration and their venture's

internationalisation activities. Hence, this thesis enriches an understanding of the role of individual decision-maker in IB literature.

#### **5.4.2 The theoretical understanding of the fear of failure in International Business Literature**

While recognising the complexity and dynamic of emotions, this thesis chooses fear of failure, a specific emotion, as the exploration focus instead of treating emotions in general. This thesis contributes to exploring the concept experience of fear of failure (Cacciotti et al., 2016) in a new context, that of making internationalisation decisions. The concept of fear of failure is unexplored in internationalisation studies, except for limited research addressing this factor in relation to exporting (Alon et al., 2013) and de-internationalisation (Lafuente et al., 2015). This thesis also makes a contribution in offering an in-depth exploration of fear of failure in IB literature.

First, this thesis argues the importance of researching fear of failure in the internationalisation process for decision makers in SMEs. This thesis leverages the *Appraisal theory* (Smith & Ellsworth, 1985) to shed lights on fear concerning an individual's risky or uncertain choices (Lerner & Keltner, 2000). In particular, business internationalisation is rooted in risk and uncertainty (Liesch et al., 2011). This thesis positions fear of failure as an emotional experience (Moors, Ellsworth, Scherer, & Frijda, 2013) rather than simply viewing it as a temporary emotional state or a stable emotion disposition (Smith & Ellsworth, 1985). Moreover, this thesis conceptualises successful internationalisation as an achievement context for SME owners (Atkinson 1957), where fear of failure and hope of success play determining roles in motivating an individual's risk-taking behaviours (McClelland, 1965; McClelland & Watson Jr, 1973). Furthermore, this thesis comprehensively integrates empirical evidence from diverse studies in relation

to fear of failure and its application to entrepreneurship literature. It offers a comprehensive foundation from which explore fear of failure.

The research findings of this thesis reveal the emotional, cognitive and behavioural responses to fear of failure in the context of make internationalisation decisions. Meanwhile, the research findings from this study demonstrate that experiencing the fear of failure in the international business setting is different from experiencing it in the domestic entrepreneurship environment, thus echoing the fear of failure as a context-sensitive phenomenon (Cacciotti et al., 2016). The empirical finding highlights the contextual nature of internationalisation. For example, SME owners perceive and interpret fear of failure as threats to the business venture and to themselves as typical to the international business environment, including the potential for ‘economic and institutional risk in the host country’, ‘bilateral political tension’, ‘host country degrades outsider’, ‘deceived by the overseas network’ demonstrated in the empirical findings of the paper 2.

The empirical findings also underline the contextual uniqueness of China. To be specific, SME owner’s emotion and cognition concerning fear of failure currently operate within an environment of trade tensions between China and the United States, under the Trump administration. Consequently, these findings do not apply to the domestic entrepreneurship environment.

#### **5.4.3 The theoretical understanding of learning and fear of failure in International Business Literature**

While the existing entrepreneurship literature offers many insights into the fear of failure (Cacciotti & Hayton, 2014; Cacciotti et al., 2016), this thesis further explores

learning, as an individual decision-maker's behavioural response to fear of failure, in the context of making internationalisation decisions. This thesis confirms the relationship between learning and emotion by highlighting the contribution of learning to pacifying fear of failure emotions. It supports the arguments that 'learning connects to emotion' (Cope, 2005, 2011; Politis & Gabrielsson, 2009) and 'learning manages fear of failure experience' (Cacciotti et al., 2016). More significantly, this thesis adds new insight into the ongoing discussion of the motivating value of fear of failure (Carsrud & Brännback, 2011; Hayton et al., 2013; Morgan & Sisak, 2016) from the learning perspective, in the context of making decisions to internationalise a firm. Accordingly, the research finding suggests that fear of failure can be motivating unless SME owners fail to manage its adverse impacts. The research findings relating to the experience of fear of failure (Paper 2) indicate its inhibiting impact by explaining the sources of fear of failure. However, the research findings also indicate that fear of failure triggers learning behaviours (Paper 3). It demonstrates learning as a back and forth process contributing to pacifying fear of failure emotions. SME owners learn via self-reflection on challenging emotional experience and communicating hardship with trustworthy contacts. The learning outcome helps then to enhance motivation, generating the positive emotional change emerging from fear of failure: hope of success. Therefore, this thesis argues that fear of failure is motivating, on the condition that SME owners manage their negative emotions successfully. That is to say, the motivating effect of fear of failure is argued as a result of an individual's emotional change through learning.

The research findings of this thesis indicate that learning contributes to knowledge development that assists SME owners to enhance risk and uncertainty management strategies. The learning outcome generates a cognitive change in response

to fear of failure: a gain in clarity of thinking. Such findings are highly beneficial to reducing fear of failure in the context of making internationalisation decisions. As such, research findings of this thesis shed light on learning as a significant driver in the internationalisation process (Johanson & Vahlne, 1977, 2009), knowledge development of the IP model (Vahlne & Johanson, 2017) and risk management (Clarke & Liesch, 2017; Liesch et al., 2011). Furthermore, this thesis contributes to the IB literature by highlighting the individual's learning in the firm's internationalisation activity. Learning is a critical sub-process in the internationalisation process (Vahlne & Johanson, 2017), which has in the past been limited to firm-level studies (Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2017). By demonstrating the dynamic learning process in the fear of failure experience, this thesis further clarifies the complexity of the learning behaviours happening at the individual level. The thesis enhances the network view of the internationalisation process (Ellis, 2011) by emphasising the importance of the social learning method. It argues that SME owners engage with the network when making internationalisation decisions, not simply with their trusted domestic relationships. Professional networks offer emotional support but also the vicarious learning and interactive learning based on internationalisation information and experience.

In addition to the value of opening a new avenue to international business literature: learning and fear of failure, this thesis offers a fruitful explanation on the contextual uniqueness of China. Though Chinese SME owners' learning embedded in their fear of failure experience. This thesis finds that Chinese SME owners are quick and effective learners, even though they may lack key networks (Ellis, 2011), as well as internationalisation experience, due to the late establishment of the 'China's policy of opening up to foreign business that wanted to invest in the country' policy in 1978 (Li et

al., 2006). To be specific, Chinese SME owners proactively learn about the ‘One Belt, One Road’ initiative (Policy, 2019) and the Chinese government exporting tax rebate to strengthen their confidence in pursuing internationalisation. SMEs also monitor the current status of the trade tensions between China and the United States, with great care. Regardless of such developments, the findings from the Chinese SME owners’ unique internationalisation stories revealed in this study partially reflect why China continues to be a major player in globalisation, regardless of its relatively late internationalisation involvement.

#### **5.4.4 Contributing the methodological foci on exploring fear of failure experience**

Finally, this thesis contributes to the methodological foci for exploring the concept of fear of failure. It takes the unit of analysis as the individual SME owner in China who is responsible for making internationalisation decisions and setting strategic direction ventures. Past research has relied on the statistical data of the Global Entrepreneurship Monitor (GEM, 2019) to measure the concept of fear as a single item: ‘fear of failure would prevent me from starting a business’ (Alon et al., 2013). This thesis diverges from the Global Entrepreneurship Monitor (GEM, 2019) and its approach in measuring this factor statically by dummy variables: “Fear of failure would prevent you from starting a business” (0 = no, 1 = yes) due to its limits on theoretical contribution and validity. This thesis instead applies a new research method, Interpretative Phenomenological Analysis (IPA) (Smith et al., 1999; Smith, 1996, 2015; Smith & Osborn, 2004) using a qualitative approach. This thesis of applying IPA in IB literature is part of a young but growing body of Psychology and Health literature (Brocki & Wearden, 2006), and Entrepreneurship literature (Berglund, 2007; Cope, 2011) which suggests that its rationale of applying this method is to study the individual’s experience.



IPA allows the researcher to explore SME owner's interpretations of fear of failure experience in-depth, to better apprehend their unique stories in internationalisation. The research findings informed by this thesis may be useful in inspiring future scholars to further develop the research measurement scale on the fear of failure in the IB research field, in addition to the existing PANAS-X scale (Watson & Clark, 1999) and the PFAI scale (Conroy, 2001) in Psychology.

## **5.5 Limitations and Future Research Directions**

A number of limitations are noted in this thesis, which may offer numerous future research opportunities in turn.

### **5.5.1 Limitation of the research finding**

First, this thesis looks exclusively at the context in which SME owners are making during internationalisation decisions. This leaves opportunities to extend research into other stages of internationalisation as well as into broader IB contexts. The future of this research remains unknown as SME owner's emotion, cognition and behavioural responses are changing over time. Accordingly, the focus of this thesis, is informed learning strategies on managing fear of failure, but limited to the current contexts of making internationalisation decisions. As such, strategies other than those used in this thesis may add significant explanatory power, but are beyond the scope of this thesis. Future research questions could ask: *whether SME owners do or do not experience the fear of failure in the later stage of the internationalisation once they have developed capabilities, knowledge, networks and trust in the international market. If so, in what ways? What actions would they then take to deal with fear of failure?* These future potential research questions may provide further insights into uncovering additional dynamism in the fear of failure experience. Additionally, this thesis affirms the link

between learning and fear of failure. It calls for future research to explore the continuity from the individual-level decision-maker's learning behaviour and the organisational-level SMEs' learning. It may add value to explain the continuity of the learning and knowledge development process situating it in the internationalisation process of a firm. Future research is encouraged to apply a longitudinal approach of qualitative research to elucidate fear of failure and learning at other stages of the internationalisation process. Moreover, the work of Bandura (1972) has a profound research implication of exploring fear of failure and self-efficacy. Nevertheless, the notion of self-efficacy and the pertinent research exploration is not within the scope of this thesis. This thesis calls upon scholars to explore self-efficacy and its relationship with experiencing fear of failure in future international business studies.

Second, this thesis does not intend to make any generalizable conclusions because it limits its focus to an empirical exploration in the context of China. As the fear of failure phenomenon is context sensitive (Cacciotti et al., 2016), the empirical finding of this thesis is particularly context-sensitive to SME owners in China, differing from other cultural settings. On that account, SME owners or senior managers in western countries may deal with fear of failure differently due to cultural and other contextual differences. Future research could consider different contexts to conduct comparative studies on this topic, which could provide more profound value to advancing the social aspect of fear of failure. Additionally, future research could look at another group of SME owners who are about to develop their international business but still not yet enter an international market. It enables researchers to better capture the dynamism of the fear of failure experience and the relevant changes of emotion, cognition and behaviour response at different stages, in particular, from pre-internationalisation to the internationalisation.

The third limitation is that the data collected for this thesis is drawn from 2016 to 2017. Political turbulence in global business occurred in 2018 and later, as reported in such episodes as the ‘Canada and the USA may ban China’s Huawei Technologies Co. its 5G network’. These ongoing political tensions may well link to Chinese SME owners’ fears of failure, but they are beyond the boundary of this thesis. Future research may give thought to these influential global issues, in exploring fear of failure and internationalisation.

### 5.5.2 Limitation of the research method

While the research methods and processes of this thesis were designed carefully, this dissertation must still acknowledge a limitation of a methodological nature due to the use of qualitative foci. First, the research aim, as discussed at the beginning of this thesis, emphasises its exploratory nature rather than statistical generalisation. The qualitative method is open to criticism for research bias (Gill & Johnson, 2010). This exploratory study is based on the data from 18 SME owners in China and their businesses. The research findings are not statistically generalizable due to the small numbers of research participants. However, King and Horrocks (2010) argue that qualitative findings do not rely on statistical generalisation because in-depth understanding offers a strong foundation for theoretical generalisations. Qualitative research is not used normally to obtain generalisable findings but rather to identify deeper meanings and results that have potential for transferability (Welch, Piekkari, Plakoyiannaki, & Paavilainen- Mäntymäki, 2011). Gioia, Corley, and Hamilton (2013, p. 25) noted that ‘qualitative research can and should be able to stand on its own’, since such propositions contribute to demonstrating qualitative findings more accessible to other scholars. Results from this qualitative study will assist future research from a quantitative approach to assess the association relationships proposed by this thesis. In line with this thinking, future quantitative research may investigate a broader test of our empirical framework and with more refined results to further. A survey with larger sample size or a larger dataset across different international settings is encouraged to test our proposition.

## **5.6 Managerial Implications**

This dissertation offers practical insights in addition to the contribution to the theories described above. This section discusses the implications for SME owners, policy-makers and international entrepreneurship educators.

### **5.6.1 Implications for SME owners**

The current thesis has managerial implications for building up awareness of the fear of failure, in particular for SME owners in China. Unlike other assumptions such as ‘heroes are born’, or ‘heroes with no fear’, in favour of viewing fear of failure as a stable dispositional emotion, this thesis indicates that SME owners experience fear of failure when making internationalisation decisions, that can be managed strategically and consciously via learning.

The research findings of this thesis assists SME owners to be aware of why and how they experience fear of failure. Such adverse impacts of fear of failure do not vanish if ignoring it mindlessly or suffering it unconsciously. Fear of failure not only causes cognitive disruption in making decisions but also disturbs psychical well-being. Indeed, individuals are reluctant to talk about their difficult emotions, such as fear of failure. This is particularly true for SME owners when considering their owner identity and social status in China, in light of its culture of ‘fear of losing face’ (Ho et al., 2004; S. R. Murray, 1999). However, it is crucial for SME owners to engage with emotions. ‘Feeling down’ is a natural part of making internationalisation decisions by SME owners. As such, this thesis contributes to helping SME owners understand their experience of fear of failure during the process of making internationalisation decisions instead of going through this challenging journey lonely and silently.

Equally important, this thesis offers a further step to guide SME owners to take appropriate actions in learning to manage fear of failure. First, the research finding offers a learning guide underpinning an experiential learning method and a social learning method. It helps SME owners to develop a learning identity when confronting fear of failure (Kolb & Yeganeh, 2011). Furthermore, risk and uncertainty management strategies proposed by this thesis assist with reducing fear of failure. These findings further support SME owners' commitment to new international markets and sustained growth.

### **5.6.2 Implications for policy-makers**

This thesis has practical implications for encouraging policy-makers both in the home country and the destination country, to promote internationalisation as a source of social support, especially in terms of organisations or state government departments in charge of small business support, trade and investment. Viewing failure as a social stigma could be a threat for the small business owners, especially those who lack financial funding and public support. More specifically, some policy measures may only be limited to regional entrepreneurial activities, such as business start-up support, which is insufficient to meet the challenge of globalisation. This thesis calls for greater public promotion of the need for social support for exports. This thesis finds that as the result of China's government offering small business tax-rebate incentives and promotion of the 'One Road One Belt' initiatives (Policy, 2019), it gives SME owners great confidence in 'stepping out' to join in globalisation. This thesis also suggests that the policy-makers of a given product-destination country reveal an openness in sharing institutional and market information. In this environment, it would be beneficial to SME owners to project risk and uncertainty management strategies.

### 5.6.3 Implications for international entrepreneurship educators

In a related vein, this thesis informs IB and entrepreneurship educators on design training programs. Generally, fear of failure is only mentioned as a slogan or motto viewed by those consulting entrepreneurship coaching websites, with headings such as *'never fear failure'* or *'every failure is a step to successes'*. These mottos are very encouraging. However, they do not tell people how to get through such challenging emotional hardship as is involved in being responsible for the internationalisation processes of firms. The research findings offer managerial contributions to designing a more useful training program. First, this thesis illustrates 'how' to learn: to synergise the experiential learning strategy and the social learning strategy. It suggests that SME owners can learn from interacting with experts, employees, successful peers, or through vicarious learning from available public cases, and even learning from oneself concerning prior challenging emotional experience and the search for solutions via self-reflection. Second, it can inform learning about the 'what' of the internationalisation process via clarifying risk and uncertainty management strategies. Thus, this thesis has implications for underscoring hope of success (the emotion change) and clarity of thinking (the cognition change) concerning fear of failure.

## 5.7 Concluding Remark

This thesis centres on exploring how SME owners in China experience fear of failure in the context of making internationalisation decisions. The last chapter of this thesis revisited the research findings, contributions and implications for theory and business practice. It includes discussion of the limitations of this research and proposes future research directions. More research on this topic in the future would be a very worthwhile pursuit.

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## Appendix 1 Public Interviews Evidence

(1) Wang Jianlin, interview with Chinese talk show host Chen Luyu, 26 August

2016 (Source: Eastsouth TV Station)



(2) Jack Ma's public speech, the 2018 World Zheshang Shanghai Forum 3 January

2019 (Source: Phoenix InfoNews Channel, Public media release)



## Appendix 2 Data Collection Protocol

### QUESTIONNAIRE

#### Background information about your firm

1. When was your firm established? 你的公司是何时建立的?  
\_\_\_\_\_.
2. How many employees (full-time) are currently employed in your firm?  
你的公司当前有多少全职雇员?  
\_\_\_\_\_.
3. What product(s)/service(s) do you export to overseas markets?  
你的公司向海外出口哪些产品?  
\_\_\_\_\_.
4. What is the range of annual gross sale of your firm? (RMB: Million)  
公司年收入利润区间?  
 Less than 1M    1-5 M    10-15 M    More than 15 M
5. What percentage of your yearly revenue comes from international markets?  
在年收入利润中，海外市场收入占多少百分比?  
\_\_\_\_\_.

#### History of internationalization

	1 <sup>st</sup> market	2 <sup>nd</sup> market	3 <sup>rd</sup> market	4 <sup>th</sup> market	5 <sup>th</sup> or more markets
Which market did you expand into?(Country) 你的公司出口市场是哪个国家?					
When did you commence sales to this overseas market? (Year) 何时开始向那个市场出口?					
Why did you expand into this market?为何选择这个市场扩展国际贸易?					
How did you come across an opportunity to enter this					

markets (social network, industry fair, strategic search, government delegation, etc) 你是如何遇到这个商机从而进入这个市场的? (人脉、商展、策略搜寻、政府代表引荐?)					
How did you access this market? (Exporting, licensing, agent, etc.) 如何进入这个市场? (出口, 特许, 代理机构)					
Current Status: present in this market until now (tick <input checked="" type="checkbox"/> ) 当前状态: 还在这个市场					
Current Status: Withdrawn (tick <input type="checkbox"/> ) 当前状态: 已经撤离这个市场					
When did you withdraw from this overseas market? (Year) 何时撤离这个市场的?					

6. Could you tell me which market you have evaluated but decided not to go ahead? 您能否告诉我您曾考虑分析评估过哪些市场但还没有进入那些市场?

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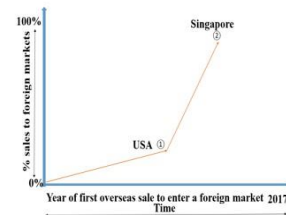
7. Which market (country) is your main focus currently? 当前那个市场是你的生意中心?

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8. How much international revenue is currently derived from this market as a percentage of the organization's total revenue? 在您重点侧重的这个市场中, 有多少百分比的国际利润来源于这个市场?

Less than 25%     25-50%     51-75%     More than 75%

9. Using the graph below, at what rate has your firm expanded internationally? 利用下图表格, 解析贵公司年度国际化利润变化 (增长/减少)。



**Example of firm with international growth for a number of years followed by rapid international growth.**

***Background information about yourself***

10. Please provide information about your previous work experiences relevant to your current work of evaluating an international opportunity. 请提供下列信息，列举有助于您当前分析国际商机的经历。

Role 职位	Industry 行业	Year 时间	Family situation 家庭情况

11. Why did you decide to expand your business internationally? 为何您决定向海外市场扩展贸易呢？

\_\_\_\_\_.

12. What is your internationalization strategy in the near future? 在未来几年，你的国际化策略是什么？

\_\_\_\_\_.

**THANK YOU FOR YOUR TIME!**

## Interview Guide

### Interview Questions

1. Could you describe how did you evaluate an opportunity to enter a new export market? Can you tell about any challenges you encountered in this process? 您能描述一下你是如何评估国际商机从而开拓一个海外市场的吗? 您能告诉我你在这个过程中曾经历过什么样的挑战吗?
2. How does evaluating an IO differs from evaluating a domestic opportunity for you? 你觉得评估国际商机和评估国内商机有何不同?
3. What does “failure in a new international market” mean to you? 为你而言‘海外市场生意失败’意味着什么?
4. What are possible consequences of failing? Can you afford these consequences? What would you do if you fail? 假设失败了, 会有什么样的后果呢? 你能承受这些后果吗? 如果失败了, 你会实施什么举措呢?
5. Do you think other SME owners experience fear of failure when they prepare to enter new international markets? What do you think may be possible reasons for such a feeling? 您觉得当别的中小企业家评估国际商机时会害怕失败吗? 你觉得这样害怕失败的感觉是因为什么原因?
6. Have you ever experienced something similar yourself? Can you give me an example of how you thought about the opportunity when you felt fear of failure? How did you cope with that feeling? 你有经历过类似的感觉吗? 你能否列举说明当你害怕失败时, 你是如何看待一个国际商机的? 而你又是如何应付这种感觉的?
7. What factors make you believe that this is the right opportunity for you? (Probe required skill, knowledge, personality, capability) 哪些因素会让你觉得这个机会属于你值得你抓住它? (比如技巧、知识、个人素质、能力)
8. How would you assess the feasibility of the opportunity and ultimately decide to go ahead with it? How does this feasible opportunity look like? 你如何评估这个国际商机的可行性并最终决定抓住它? 这种可行性高的商机有哪些特征?
9. When you felt fear of failure in relation to pursuing that opportunity, what helped you maintain your sense of confidence in going ahead? 当你害怕抓住这个商机会失败时, 是什么帮助你保持自信勇往直前?
10. What personal goal do you plan to achieve by entering new international markets, both short-term and long-term? 在开拓海外市场方面, 你的个人目标是什么, 短期目标和长期目标?
11. What do you like/enjoy about seeking new international opportunities? (Probe being happy versus competitive and ‘feeding’ others, such as a



employees or family) 你为什么喜欢追逐国际商机? (比如, 让自己感到快乐, 变得有竞争力或者“养活”别人, 比如员工或者家庭成员)

12. When you felt fear of failure, how did you maintain eagerness to pursue that opportunity?

当你感到害怕失败时, 你是如何保持热衷追逐那个国际商机的?

13. How do you go about assessing risks when looking to enter new international markets? Could you give me any examples about specific risks or uncertainties you look at?

当你准备进入一个新的海外市场时, 你是如何评估风险的? 你能列举一些关于风险和不确定因素确切的案例吗?

14. What does risk and uncertainty mean to you? What risk are you afraid of? How did you learn to cope with experience of fear of failure when these risks and uncertainties are there?

风险和不确定因素对你而言意味着什么? 什么样的风险会让你感到害怕? 当你面对风险和不确定因素而感到害怕时, 你是如何处理这个过程?

15. When you are experiencing fear of failure, how do you usually think in the process of evaluating international markets to come to a final decision? Could you give me an example?

当你正在经历害怕失败的感觉, 你一般怎么思考评估国际商机从而做一个最终决定的呢? 请举例说明。

16. Going back to the example/situation you described just now, was there anything you learned from it? (probe change of thinking to accept possible consequences of failure, viewing international market from new/multiple perspectives)

正如刚才你所列举的例子, 你从中学习到什么呢? (比如转换思路来接受可能发生的失败, 多角度分析国际商机)

17. In that situation, what individual characteristics/skills helped you manage your attention to learn new information and eventually to better evaluate this international market?

在那样的情况下, 什么样的个人素质/技巧帮助你集中注意力来学习接收新的信息从而更好的分析评估国际商机?

18. When you were experiencing unpleasant feelings thinking about potential failure, how did you focus on evaluating an IO rationally?

当你想到可能发生的失败, 正在经历这种不愉悦的感觉时, 你是如何专注的理性分析这个国际商机的?

19. Could you tell me about learning to overcome fear of failure in relation to IOE? Were there any difficult learning experiences? Could you please tell me more about them? To what extent, you felt confident about the learning outcome?

你能否告诉我, 在你分析评估一个国际商机时, 你是如何克服害怕失败的感觉的吗? 有没有一些让你觉得很难得学习经历? 你能多告诉我一些吗? 到什么样的程度, 你会对学习效果感到自信?

20. From these learning experiences you mentioned, what have you learnt to help you commit to your goal in relation to international market evaluation? Could you give me an example about how you learned from it?  
就你提到的学习经历而言，你学到了什么从而在你分析评估国际商机时助你实现目标的？能否举例说明你是如何学习的？
21. How did you think about evaluating risks or uncertainties when you fear failure?  
在你感到害怕失败时，你是如何思考评估分析风险和不确定因素的？
22. What helped you to come up with alternative solutions to deal with potential risks or uncertainties in that situation?(probe prior experience)  
什么助你想到另外的方法去解决潜在的风险和不确定因素？（比如，之前的经历）
23. When you felt fear of failure, how did you learn to maintain a rational view about risks and uncertainties in the international market?  
当你感到害怕失败时，你是如何保持理性看待这些国际市场上的风险和不确定因素的？

## Appendix 3 Documents Provided to Research Participants

### E-MAIL OF INTRODUCTION TO PARTICIPANTS

(To be forwarded by the known business owner)

Dear Dr/Mr/Mrs/Miss

I am a Ph.D. candidate at the University of Adelaide conducting research into international business and entrepreneurship. In my research I am studying perceptions, emotions and learning of Chinese small and medium sized enterprises (SMEs) owners in the process of international opportunity evaluation. To undertake this research, I am conducting interviews of business owners. The interview takes one to two hours.

You have been invited as a potential participant because you own an exporting SME and have experience in evaluating an international business opportunity.

I have attached a participant information sheet with further information about this research. If you are interested in participating please email or call me to discuss this further. My contact details are below.

Please note that your participation in this research is entirely voluntary. Your confidentiality and anonymity will be protected and you will be free to withdraw from this study at any time.

Kind regards,

Kechen Dong

PhD Candidate

Management, Business School

The University of Adelaide, SA 5000

+61 421 083 531(during business hours)

kechen.dong@adelaide.edu.au

## CONSENT FORM

1. I have read the attached Information Sheet and agree to take part in the following research project:

<b>Title:</b>	“International opportunity evaluation by small and medium sized enterprise owners in China: Perceptions,
<b>Ethics Approval Number:</b>	H-2016-204

2. I have had the project, so far as it affects me, fully explained to my satisfaction by the research worker. My consent is given freely.
3. Although I understand the purpose of the research project it has also been explained that involvement may not be of any benefit to me.
4. I have been informed that, while information gained during the study may be published, I will not be identified and my personal results will not be divulged.
5. I understand that I am free to withdraw from the project at any time.
6. I agree to the interview being audio recorded. Yes  No
7. I am aware that I should keep a copy of this Consent Form, when completed, and the attached Information Sheet.

**Participant to complete:**

Name: \_\_\_\_\_ Signature: \_\_\_\_\_  
Date: \_\_\_\_\_

**Researcher/Witness to complete:**

I have described the nature of the research to \_\_\_\_\_ (*print name of participant*) and in my opinion she/he understood the explanation.

Signature: \_\_\_\_\_ Position: PhD Candidate

Date: \_\_\_\_\_

## Appendix 4 Ethics Approval



RESEARCH BRANCH  
OFFICE OF RESEARCH ETHICS, COMPLIANCE  
AND INTEGRITY  
THE UNIVERSITY OF ADELAIDE

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EMAIL hrec@adelaide.edu.au

CRICOS Provider Number 00123M

14 September 2016

Dr O Muzychenko  
School: University of Adelaide Business School

Dear Dr Muzychenko

**ETHICS APPROVAL No:** H-2016-204

**PROJECT TITLE:** International opportunity evaluation by small and medium sized enterprise owners in China: Perceptions, emotions and learning

The ethics application for the above project has been reviewed by the Low Risk Human Research Ethics Review Group (Faculty of Arts and Faculty of the Professions) and is deemed to meet the requirements of the *National Statement on Ethical Conduct in Human Research (2007)* involving no more than low risk for research participants. You are authorised to commence your research on **14 Sep 2016**.

Ethics approval is granted for three years and is subject to satisfactory annual reporting. The form titled *Annual Report on Project Status* is to be used when reporting annual progress and project completion and can be downloaded at <http://www.adelaide.edu.au/rb/oreci/human/reporting/>. Prior to expiry, ethics approval may be extended for a further period.

Participants in the study are to be given a copy of the Information Sheet and the signed Consent Form to retain. It is also a condition of approval that you **immediately report** anything which might warrant review of ethical approval including:

- serious or unexpected adverse effects on participants,
- previously unforeseen events which might affect continued ethical acceptability of the project,
- proposed changes to the protocol; and
- the project is discontinued before the expected date of completion.

Please refer to the following ethics approval document for any additional conditions that may apply to this project.

Yours sincerely

DR JOHN TIBBY  
Co-Convenor  
Low Risk Human Research Ethics Review Group  
(Faculty of Arts and Faculty of the Professions)

for DR JOANNA HOWE  
Co-Convenor  
Low Risk Human Research Ethics Review Group  
(Faculty of Arts and Faculty of the Professions)

## Appendix 5 Case Descriptions

**Table 6-1 Case Description**

<b>Participants</b> <i>*Coded names</i>	<b>Business Case</b>
<b>Participant 1 *</b>	<p>After completing the mater degree in the west country, Participant 1 was marketing researcher in the MNE before exporting small appliances through the Amazon E-commerce. He worried about the internationalisation due to the IP issue in the host country. It could lead to the consequence that the destination exporting country may destroy his products on the spot directly because of the similarity with another local product.</p>
<b>Participant 2*</b>	<p>Participant 2 enjoyed a high career profile as an international sales manager. Later, he set up his factory producing rice protein exporting to the USA. The massive R&amp;D investment on product formula did not bring economic return quickly. He fears that being punished on the USA’s blacklist can ruin his reputation.</p>
<b>Participant 3*</b>	<p>Participant 3 started a firm in his mid-twenties and now owns a business group operating in agriculture, real estate and building materials. His ambition and perceived competitive pressure pushed him to seek export opportunities for the building materials business and real estate investment. He entered the USA followed by Australia and New Zealand. He plans to expand sales in these</p>

	countries, despite losses incurred due to bad investment in new Zealand. His plan is to seek opportunities to expand his agriculture business into Australia and New Zealand via acquisitions.
<b>Participant 4*</b>	While working for the local government, he ran exporting as a great diversion because of his family heritage of trading with Vietnam. He exported sulphur to Vietnam in 2011. With the help of the Association of Southeast Asian Nations (ASEAN) trade zone in 2016 and the logistic convenience of a high-speed railway, he is active in the internationalisation. He follows ‘One Belt, One Road’ initiatives to plan future international business.
<b>Participant 5*</b>	Participant 5 carried on his father’s business in the automatic packaging manufacturing after completing the overseas education. The overseas clients from South Africa, Canada and Bangladesh have found his company via Alibaba since 2016. As a young business owner, he had inadequate internationalisation experience in operating overseas markets. He perceived a need to do more work to expand the market and seek opportunities to enter new markets. He received several government endorsements on praising his enterprises as the ‘innovative pioneer’ as well as some awards of ‘Advanced Individual’. He kept learning via participating in the ‘Boao Forum’, and cooperation with local universities to develop R&D.
<b>Participant 6*</b>	Participant 6 started his business after a long and successful career with a major government department where he developed knowledge of high-tech industry and built international networks. His firm manufactured electronic interface components with artificial intelligence. He started exporting to the USA in 2013 and is in search for other international markets. He was a bit worried

	<p>about future potential of his business in the USA. He had many challenges with product certification and managing product with life-cycle. He perceived being disadvantaged in the Western markets because he comes from China.</p>
<b>Participant 7*</b>	<p>Participant 7 exported the construction materials and equipment to the overseas hydropower station construction in Cambodia in 2012 and Myanmar in 2016. He had rich working experience as a technical engineer in a state-owned enterprise prior to the entrepreneurship. His company has implemented pre-tender and preparation for other markets including Thailand, Sri Lanka, Laos, Indonesia, and Romania. His future focus is to promote the overseas markets along with ‘One Belt, One Road’ policy and let China’s technology going out.</p>
<b>Participant 8*</b>	<p>Participant 8 dived into the business world after resigning her job as a school teacher due to the low salary. With a language advantage of speaking Russian, she set up her exporting business in 2010 under the brand name of a soy protein factory. She exports soy protein to Russia and Ukraine. As a middle party in exporting, she worried about the trustworthiness of overseas partners.</p>
<b>Participant 9*</b>	<p>After setting up an SME in 1996, Participant 9 engaged in exporting large equipment which is used to repair or rebuild power stations in overseas countries from 1998. Behind strong support from a China’s State-owned-company, he expanded the business to Southeast Asia, such as Malaysia, Sri Lanka. In Africa, here are Gabon, Cameroon, and Congo. After setting up an office in Australia since 2014, yet he did not get any business done in this market. Currently, his company focuses on the countries along the ‘One Belt, One Road’.</p>



<b>Participant 10*</b>	Participant 10 set up the modern furniture business in 2001 and started exporting to the USA, France, UK and Netherlands since 2013. His company was a golden sponsor for the 2008 Beijing Olympic Games. He sought international opportunities proactively via attending the Canton Fair and other international EXPOs. He entered the Australia market in 2016.
<b>Participant 11*</b>	Participant 11 has been exporting solar PV products to India and Australia since 2017. Although he seeks international opportunities proactively, one significant difficulty for him is recruiting capable staff (staffs with excellent overseas education) for in his local city offices. He registered another company in Shanghai to attract competent staffs aiming at expanding the international business. He plans to set a branch office in Sydney in future.
<b>Participant 12*</b>	Participant 12 engaged in foreign trade since 1994 and set up a tea-exporting business in 2012. His company exports to Russia, Malaysia, Japan and South Korea. He fears his products may end up by being destroyed on the spot of the destination countries due to the quality testing issue. His business plan targets the areas of ‘One Belt, One Road’ policy currently.
<b>Participant 13*</b>	Participant 13 quit the job of college teacher to pursue entrepreneurial spirit in 2000. Participant 16 purchased a timber manufacturing factory first and has been positively seeking international opportunities from international EXPOs. Although his company survived from a vast decline in overseas orders due to the financial crisis in 2008, Participant 16 convulsed that many exporting businesses collapsed or were shut down in China due to the low added value.

<b>Participant 14*</b>	After completing the bachelor degree in Australia, Participant 14 carried on his father's business of exporting vegetable seeds to Nepal, Philippine, India, Italy, and Cambodia. He applies his knowledge and overseas experience focusing on the overseas markets along with 'One Belt One Road' policy.
<b>Participant 15*</b>	Participant 15 worked for a state-owned foreign trade company in the wood furniture industry since 1993, which offered him an in-depth understanding and emotional attachment in this industry. Later he set up furniture factory in 2000 and started exporting via Canton Trade Fair Expo in 2002. His internationalisation opportunities sprouted out from China's 'letting it go out' policy. Nevertheless, he withdrawal the Australia market because of the insect pests' restriction. Currently, his business sales are mainly from North American, Europe and Japan. He attributed the expansion of business scale to the 'China's speed' of fast-growing international business. Also, he admires the 'spirit of artisans' to improve product quality.
<b>Participant 16*</b>	Participant 16 set up her firm in Shanghai, 2000 and exported the electrolytic copper to supply overseas manufacturers for electronic products to UK, Canada, and the USA until now. Aside from the exporting, she also did building material business in 2004 and media business in 2015. She perceived being disadvantaged in the rules of the game set by the western countries.
<b>Participant 17*</b>	Participant 17 worked diversely from working in the farm to set up café when studying in Australia. He also gained the Real Estate experience in 2007 and finance working experience in 2009. Later, he carried on his father's business in exporting fruit and light industry accessories to Burma, Laos, Vietnam, Thailand, and Japan. He was disappointed by the low exporting profit of the

	<p>agriculture industry so that he even relied on China's 'tax-rebate'. Therefore, he was shifting the focus from exporting to importing and ready to serve China' market from E-commerce.</p>
<p><b>Participant 18*</b></p>	<p>Participant 18, a young entrepreneur of 80's generation, set up his business in Shanghai to export agriculture product (semi-food, such as instant noodles) to Australia in 2015. His overseas education gave him the confidence to pursue international opportunities. He perceived every business as a gambling game in line with his difficulty in sourcing start-up funding. As a young entrepreneur star returning from overseas, he receives an ample amount of attention from the local television.</p>