Learning and Fear of Failure in International Opportunity Evaluation for European Markets by SME owners in China

Kechen Dong
Supervised by Dr Olga Muzychenko and Professor Noel Lindsay
kechen.dong@student.adelaide.edu.au May 2017
Opening Story: Fear of Failure in Internationalization

Wang Jianlin (Chinese: 王健林) is a Chinese businessman and philanthropist. He is the chairman of the Dalian Wanda Group.

According to Forbes, in 2016 he was the richest person in Asia with $28.7 billion.

I fear failure. I especially fear failure in the beginning stage of internationalization.

Actually we’ve already gained enough competence to internationalize.

The more you succeed, the more fear of failure.
Agenda

- Research Background
- International Opportunity Evaluation
- Fear of Failure
- Learning and Mindfulness
- Research Design
- Research Finding and Contributions
Background of Research

Why this topic?

• To advance the current understanding of international opportunity evaluation (IOE) from a learning perspective.
• To assist SMEs owners to learn from fear of failure in IOE by conceptualising mindfulness in this learning process.

Literature gap:

Entrepreneurship: address the notion of ‘opportunity’ (Shane, 2000) only a few studies examine fear of failure (Cope 2005)

International Business: most IO research on networks (Ellis, 2011, Jones, 2011) but only few look at individual factors (Mainela, 2014).

The Broad Research Problem

Fear of failure in international opportunity evaluation
Phenomena Context: fear of failure in EU context

**Psychic distance** between EU countries and China

**Institutional differences** *(North, 1990)*
- Formal Institutions: laws, rules, regulations
- Informal Institutions: culture, norm, values

**External enablers:**
- Regulatory changes
- Technological breakthroughs
- Demography shifts

**Small and medium sized enterprise (SMEs)**
- Liability of foreignness
- Liability of newness
- Lack information channel
- Lack of institutional knowledge
- Perceived psychic distance
- Fear of failure
Entrepreneurship
Opportunity evaluation
(1) opportunity perception and opportunity belief
(2) Cognitive information-processing and thinking style
(3) Attitude and affect: opportunity feasibility and opportunity desirability

Entrepreneurial learning

Learning

Fear of failure

The Process of Internationalisation
Risk and uncertainty (Johanson and Vahlne 2009)

Self-efficacy
Motivation
Risk perception

Entrepreneurship and internationalisation are processes of learning.
(1) Social learning (Bandura, 1977)
(2) Experiential learning circle (Kolb, 1984):
experiencing, reflecting, thinking, acting
International Opportunity Evaluation

The Process of Entrepreneurial Action  (Wood et al. 2012)

1. Onset of opportunity/entrepreneurial thinking
2. Opportunity identification
3. Opportunity evaluation
4. Intention formation
5. Entrepreneurial action

Opportunity Evaluation

“a dynamic process associating with individual’s judgements, beliefs and decision-making with regards to external events, situations and circumstances” (Wood and Williams 2014).

1) OE relies on valuing the potentials of this opportunity which in turn can generate economic returns (Keh et al. 2002).

2) OE is prepared for future oriented opportunity exploitation emphasising on ‘what will be’.

3) OE relied on the first person’s assessment instead of a third person: “attractive to me” rather than “attractive to someone”.

IO: The possibility of conducting exchange in new international markets with new or existing partners (Ellis 2011; Muzychenko and Liesch 2014).
IOE Determinants

Self-efficacy (Bundura 1994) ➔ Perceived Opportunity feasibility image of opportunity fits with self-image: “Is this an opportunity I could pursue?”

- Entrepreneurial self-efficacy: a person’s belief about whether they are capable of performing entrepreneurial tasks successfully (Chen 1998);
- determines individuals’ judgement about choices of activities through one’s thoughts, actions and emotions (Bandura 1982);
- fear of failure influences individual’s belief of themselves for obstacles or adverse experiences (Bandura 1982).

Motivation ➔ Perceived Opportunity desirability: “Is this an opportunity I want pursue?”

- A drive within the organism that activates behaviour towards a goal (Coon 1983): feeling of interest and passion.
- Future consequences (Bandura 1977): goal-setting, self-evaluative reactions;
- Need of achievement (Atkinson 1951): hope of successful and fear of failure.

Risk Perception ➔ the internationalisation context: EU countries

- Decision-maker’s assessment of the level of risks relevant to an uncertain situation and their perception of their control over such uncertainties (Sitkin and Weingart 1995).
- Internationalisation Process Theory highlights uncertainties and risks (Johanson and Vahlne 2009).
- Risk: decisions where consequences of actions are subject to known probability distributions.
- Uncertainty: decision situations where there is an unknown future (Knight 1921).
Fear of Failure and IOE

- A feeling that leaves a person discouraged and afraid that they will not succeed even before making an attempt (Ekore and Okekeocha, 2012).
- A psychological state: Risk aversion (Ray 1994): “disposition to avoid failure and the capacity for experiencing shame and humiliation as a consequence of failure” (Atkinson 1957)
- A certain experience of the internal cognitive process that describes the way individuals’ assessment of an environment change which creates a threat to one’s ability to achieve a goal (Cacciotti and Hayton 2014). A process of the unfolding dynamics between mind, environment and action (Gregoire, 2011)

Fear of failure and entrepreneurship

- Entrepreneurial events can generate individual’s fearful reactions (Cacciotti and Hayton 2014)
- Important factor in entrepreneurial process (Baron 2008)
- Shapes attitudes and beliefs about themselves in entrepreneurial action (Wood 2013)

Fear of failure and internationalisation

- Anxiety and uncertainty management (AUM) Theory (Gudykunst 1993)

RQ 1 How does fear of failure influence IOE by SME owners?
RQ2: How does mindfulness facilitate learning in the context fear of failure pertinent to IOE by SME owners?

Mindfulness means a state when an individual

1. focuses on present and direct experience;
2. is intentionally aware and attentive;
3. accepts life as an emergent process of change (Yeganeh and Kolb 2009).

Experiential Learning Theory
(Kolb, 1984)
(experiencing, reflecting, thinking, acting)

Learning from prior experience

Social Learning Theory
(Bandura, 1977)
(learn from interaction with the environment)

Eastern understanding:
(internal process)

Western understanding:
(external process)

Help an individual to learn.

RQ2a

RQ2b
Methodology: explore “how” questions

- Interpretative phenomenological research (Phenomenology): Qualitative method and interpretivism

Fear of failure within the entrepreneurship process requires an inductive investigation of the phenomenon (Grégoire et al. 2011)

- Levels of analysis: individual owners of SMEs-exporters

Data Collection

- Purposive sampling, snow ball techniques: 20 SME owners with exporting activities in China + the second round of data collection
- Pilot study: test interview questions
- In-depth interviews: Phenomenological interviewing (Thomopson, 1989), is described as ‘the most powerful means. The goal is to gain a first person description of some specified domain of experience, where the participant largely sets the course of the dialogue (Cope, 2005b)
- Multiple sources (interviews, website, advertisements)

Data Analysis

- Analysis: Interpretative perspective; content analysis.
- Coding: open coding, axial coding, selective coding
- Triangulation: analyst triangulation
Theoretical Framework (emerged from data): Learning and Fear of Failure in International Opportunity Evaluation

**Learning**
- **Social learning**: learn from industry experts, business contact, staff, friends
- **Experiential learning**: learn from prior new market entry experience, business experience

**Mindfulness**
Self-reflection, minimise negative emotional impact to focus on evaluation

**Fear of Failure**
Perceived psychic distance from the institutional environment:
- **Formal institution**: lack knowledge on laws (IP), rules (‘rules of the game’ for business exchange), regulation (international transaction)
- **Informal institutions**: lack knowledge on culture (customer preference, market demand), language (negotiation)

**International Opportunity Evaluation (IOE)**

**Self-efficacy**
Resource match: knowledge, skill, capital to afford the loss, network

**Motivation**
Passion, goal, personal interest, venture’s survival, China’s policy support (exporting tax-return, ‘one belt one road policy’)

**Risk perception**
Transaction risk: late payment, currency devaluation, break the capital chain
Quality risk: product sampling & test, IP pattern, shipment
Theoretical Contribution

• Extend theoretical understanding of international opportunity evaluation by adding a learning perspective.

• Focus on fear of failure as a critical learning experience.

• Apply the concept of mindfulness to study international opportunity evaluation.

Contribution to business practice

• Help SME owners to understand fear of failure in international opportunity evaluation and how to learn from it.

• Contribute to entrepreneurship education though facilitating vicarious learning from third party’s fear of failure in international opportunity evaluation.
Business Implication
Educate China’s SME owners about EU markets to better evaluate IOs
Thank you for your attention!

Any questions?