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**Understanding International Exit from a Non-Economic and
Emotional Perspective: the Case of Taiwanese Entrepreneurs Exit
China**



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A thesis presented in fulfilment of the requirements for the degree of

Doctor of Philosophy

The University of Edinburgh

2015

Declaration

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- (a) This thesis has been composed by the author
- (b) It is the result of the author's own original research
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Abstract

I investigate why Taiwanese entrepreneurs who have invested in China exit. Viewed from the non-economic perspective, there are three main themes in this thesis. Theme A focuses on the non-economic variables in international exit. Theme B examines how incident-generated emotions shape entrepreneur's actions in internationalization. Theme C presents an overview of the decision-making of international exit, summarizing the finding in Theme A and Theme B and revisiting the theoretical framework developed in literature chapter.

Driven by the nature of the research questions, a multiple-case study methodology was adopted for the purpose of theory building. I employ the method of critical incident technique to explore firm's critical events in internationalization and how entrepreneurs feel and respond to. In total, I identify five exit cases and two stay cases. 34 semi-structured in-depth interviews were conducted with entrepreneurs and their stakeholders. Data was coded in an interactive manner, working back and forth between theory, emerging patterns and data. Other sources including annual reports, press release, webpage, meeting minutes and archives are used for data triangulation.

Being positioned at the intersection of entrepreneurship and international business research paths, this research firstly examines international business literature and use theories in entrepreneurship field to explain my data. Following Gimeno et al.'s (1997) threshold of performance theory, entrepreneurs can terminate an economically profitable business since it no longer meets entrepreneur's expectation. My finding shows in addition to organizational performance, entrepreneur's personal goal, predisposition of China and family socio-emotional wealth can influence the international exit decision by changing entrepreneur's threshold of performance and the non-economic value of the firm. This explains why some entrepreneurs shut down a profitable firm.

Following entrepreneurial emotions literature (e.g. Baron, 2008; Foo et al., 2009), I examine how entrepreneur's incident-generated emotions shape their behaviour in internationalization. Passion and confidence are positive for organizational growth while fear and disgust are negative for entrepreneur's efforts in internationalization.

Empathy is positive for learning and adaption and anger encourages risky actions with optimistic prediction. This section provides empirical evidence to entrepreneurial emotion studies and connects empathy with entrepreneur's learning and development of institution-specific capability. Finally, I revisit the international exit decision-making framework and redefine international exit. My finding shows entrepreneurs who have positive emotional memory and predisposition of China are easier to recover and learn from their international exit experience and use it to reenter into China in the future.

Taken together, this thesis provides fresh insights into an emerging debate relating to international exit, particularly on emerging market studies. It contributes to the international business literature by viewing from non-economic perspective, indicating why some entrepreneurs persist in a failing venture while others shut down a profitable venture. This research also adds to entrepreneurial emotion literature by providing an insight to positive and negative emotions and focusing on specific emotions rather than a broad category, describing six emotions and their effects on entrepreneur's decision in internationalization. Implications for practitioners and policy makers are also discussed.

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Chapter 1 : Introduction

Many entrepreneurs consider internationalization to be a symbol of their business success. The inception of internationalization usually begins with a motivation such as business expansion. It continues with a range of activities such as resource acquisition, market entry, and probably local cultural adaptation. Current studies focus more on exploring critical factors to a successful internationalization (Keupp and Gassmann, 2009; Jones et al., 2011). However, successful internationalization and international exit are twins. Instead of focusing on the early stage of internationalization like many other studies, this thesis explores the cause and effect of international exit; this has been an under-researched area (Benito, 2005; McDermott, 2010; Jones et al., 2011).

This thesis argues international exit should not be viewed as an organizational response as suggested by IB scholars; instead, entrepreneurs are the key active agents in decision-making and my unit of analysis. Studies in the International Business (IB) field predict that firms remain abroad if it is profitable or strategically important (Boddewyn, 1983; Benito, 2005). A basic assumption of these studies is that each decision-maker is rational when aiming at achieving profit maximization. Consequently, the mainstream literature examines variables affecting firm's economic value resulting in international exit. My research however challenges these basic assumptions of mainstream IB research and aims to demonstrate an alternative non-rational decision-making on international exit.

This research argues what really determines an international exit decision is not environmental or organizational variables but the entrepreneurs themselves. It is built on three fundamental arguments: firstly, current international exit literature insufficiently explains the actual decision-making process of international exit. Individual (entrepreneurs) should also be included as active agents in decision-making processes. Secondly, current international exit theory focuses on Western multinational enterprises (MNEs) is inapplicable to firms from emerging markets. Targeting Taiwanese entrepreneurs invested in China, the internationalization of

firms from dragon countries (Taiwan, South Korea, Hong Kong and Singapore) is different from those from Western MNEs due to different resources and motivations (Mathews, 2009). Thirdly, the entrepreneur is a key active agent in the decision-making process. Entrepreneurs' individual differences such as personal goals and emotions should be viewed as essential elements influencing decision-making. Such influences should not be simply regarded as a disruption or negative impact as suggested by rational school (Baron, 2008). Researchers should centre-stage the role of entrepreneurs in decision-making process and hence explore individual and non-economic variables affecting the decision-making on internationalization.

This research uses theories from the Entrepreneurship field to explain phenomena in IB field. Theories and concepts of entrepreneurial emotions, socio-historical theory, socio-emotional wealth, and threshold theory are applied to investigate how entrepreneurs affect the decision-making on international exit and how their emotions shape their actions in internationalization. The data of this research is drawn from multiple case studies on Taiwanese entrepreneurs who recently exit China. I aim to contribute to current understanding of international exit by explaining this decision from an *entrepreneurs' perspective*.

In summary, this research argues international exit is an entrepreneur's subjective, emotion-driven, and personal choice. Entrepreneurs need to achieve financial and emotional survival in their foreign operations- otherwise international exit is resulted.

1.1 Subject of thesis

My research is inspired by a recent trend that Taiwanese entrepreneurs invested in China exit. To investigate this trend, I review the context using CIER reports (2008-2013) and press release (e.g. business weekly, BBC) for background research (see section 1.2) and discuss with an experienced Taiwanese entrepreneur invested in China. An interesting theme, in addition to environmental and organizational variables suggested in CIER reports, emerged after the review that individual variables such as entrepreneurs' management style, political preference, personal goals, family, and networks also seem to affect international exit decisions.

Following up this finding, I conducted a pilot study to uncover the international exit from an entrepreneurs' perspective. This thesis did not begin as a study of viewing the international exit from non-economic and entrepreneurs' perspective. It was a study examining the exit trend of Taiwanese entrepreneurs invested in China. My pilot study indicates the significant role of entrepreneurs and non-economic variables in decision-making that are under-researched. Although we are invited by economists to deduce important entrepreneurial decisions by computing costs versus benefits, few of us do so. Instead, after 'weighing-up' the 'hard' information available, our choice is often emotional, I argue. Theories from Entrepreneurship field are applied to explain the phenomena, to provide a more balanced view of decision-making in internationalization. In short, I am arguing for the centrality of entrepreneur in decision-making; for the importance of non-economic variables (personal goals, predispositions, and socio-emotional wealth) and entrepreneurial emotions.

1.2 Research context: Taiwanese entrepreneurs invested in China

This research targets Taiwanese entrepreneurs invested in China. Peng (2008) highlight the importance and shortage of emerging economies research. Turcan (2006) indicates current research of international exit only focus on large multinational companies invested/from in developed countries. The absence of literature on exit firms invested/from emerging economies is a gap in IB literature.

Empirically, the Taiwanese Government reports indicate there is a significant change of investment trend in terms of motivation, industry and investment amount in China. I investigate this trend using the reports of Chung Hua Institution for Economic Research (CIER) from 2007-2012 have been used to review this phenomenon. CIER is a Taiwanese Government academic research centre; this series of reports investigating the foreign operation of Taiwanese firms by using surveys and government statistic data. This section provides a summary of the CIER reports in order to provide background information of Taiwanese entrepreneurs invested in China from economic, political and cultural perspective. The next section introduces the outward investment trend.

1.2.1 Taiwanese Entrepreneurs' Outward Investment Trend

Rapid globalization has inevitably changed the investment environment and national comparative advantages that affects the industry structure and facilitates Darwin's natural selection process (Colantone and Sleuwaegen, 2010). The investment context constantly fluctuates, and this is more significant in the emerging economies such as China. According to the CIER reports (2007-2012), China is the most popular investment destination for Taiwanese entrepreneurs.

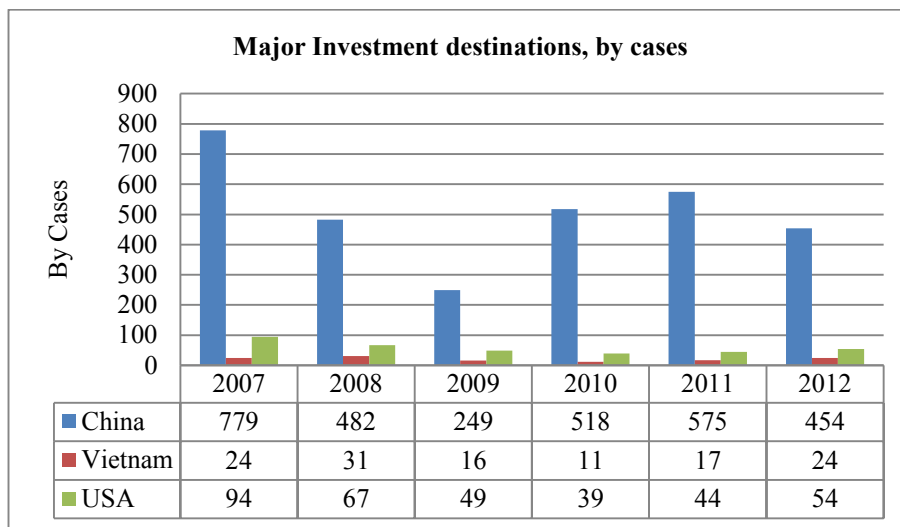


Figure 1-1: Major investment destination, by cases, source: CIER (2007-2012)

Among the top three investment destinations as shown in Figure 1-1 and Figure 1-2, the annual number of investment cases and amount in China is significantly higher than the other two countries from 2007-2012.

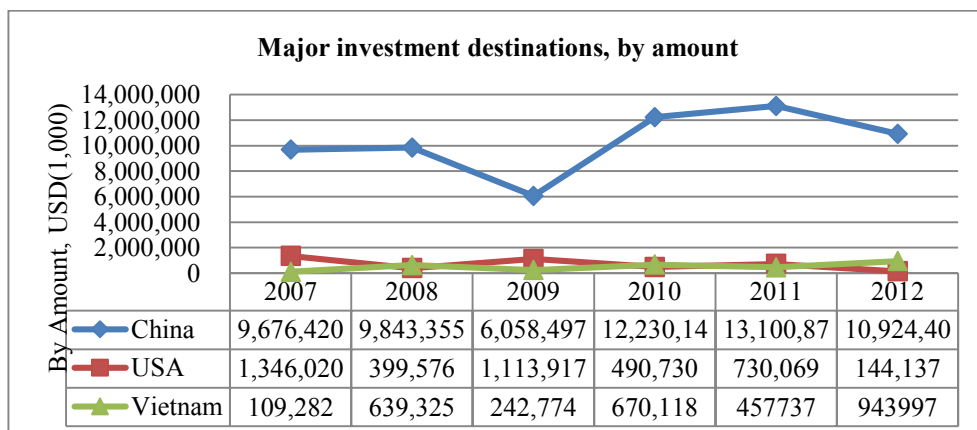


Figure 1-2 Major investment destinations, by amount, Source: CIER (2007-2012)

Unlike the other two destinations, market expansion in USA is the main reason for Taiwanese entrepreneurs to enter into this developed country. The motivation, entry mode, commitment level of investment in developed country (USA) is different from those in developing countries (China and Vietnam). China is the most popular and important production base for Taiwanese entrepreneurs (CIER, 2008), but the situation has been changed in recent years (CIER, 2012).

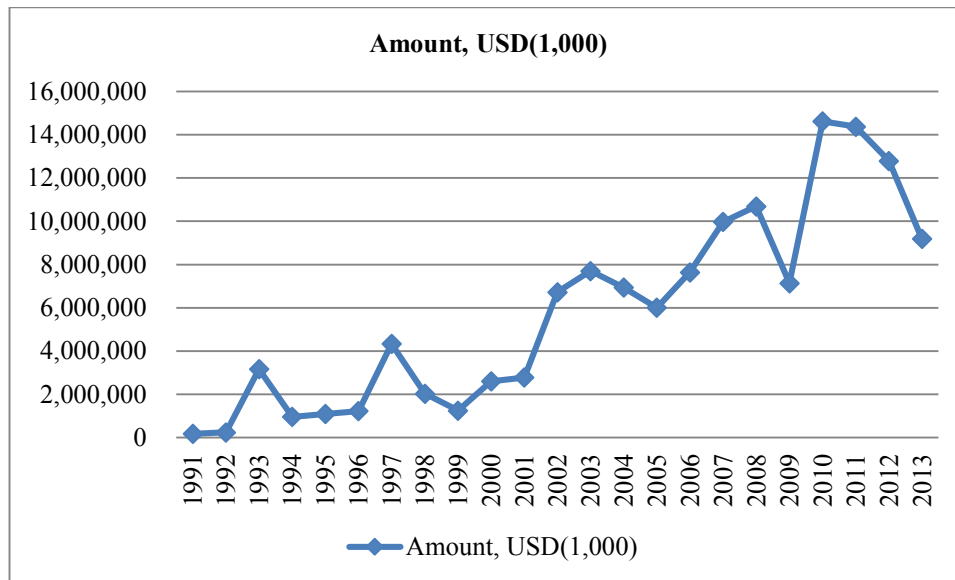


Figure 1-3: Taiwan approved investment in China, by amount, Source: MOEA (1991-2013)

Figure 1-3 indicates the investment amount has increased steadily from 1991 to 2008. In 2009, there was a sharp decline of Taiwanese investment in China. Although the investment amount increased in 2010, it decreased again in the next year. To further investigate the investment trend, Figure 1-4 shows the investment cases from 1991 to 2013.

In general, the investment cases have been steadily increased from 1999 to 2003. From 2004, there was a decline of investment cases in China. Although financial crisis may be the reason of decline (cases), CIER reports suggest it signals a change of investment trend in terms of commitment level and industry. Compared Figure 1-3 with Figure 1-4, there is still an increase in investment amount from 2003 but a decrease in investment cases.

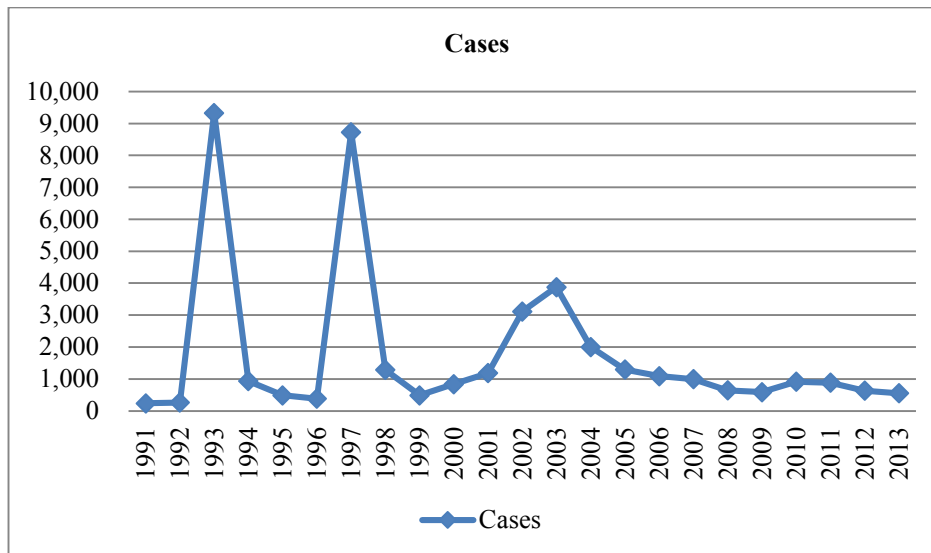


Figure 1-4: Taiwan approved investment in China, by cases, Source: MOEA (1991-2013)

This implies that after 2003, the commitment level of each investment case is greater than those before 2003. Small investments are relatively scarce after 2003. In general, there is a decline of Taiwanese investment in China in terms of cases. Early entrants are usually with smaller commitment while late entrants are with greater commitment. This fact implies China is not attractive as before for smaller firms and firms with greater resources have greater chance to survive in China.

Figure 1-5 and Figure 1-6 present the Taiwanese investment in China by industries. Comparing the 2007 figure with 2013 figure, two major trends have been identified. First trend is the decline of manufacturing industry. In 2007, manufacturing industry accounted for 92% of Taiwanese investment in China while in 2013, manufacturing industry only accounted for 56%. Although China is still the most popular investment destination, Taiwanese entrepreneurs enter into China for other reasons. Second trend shows recent Taiwanese investment has been focus on service and financial industry. Wholesale and retail trade has been increased from 4% to 11% and financial and insurance industry has been sharply increased form 1% to 21 %. This implies Taiwanese entrepreneurs no longer consider China as a production base. Instead, they view China as a potential and important market and a financial centre.

Recent investment trends are discussed in this section. The next section presents the cross-strait political and cultural relationship, which is considered to be influential for Taiwanese entrepreneurs invested in China.

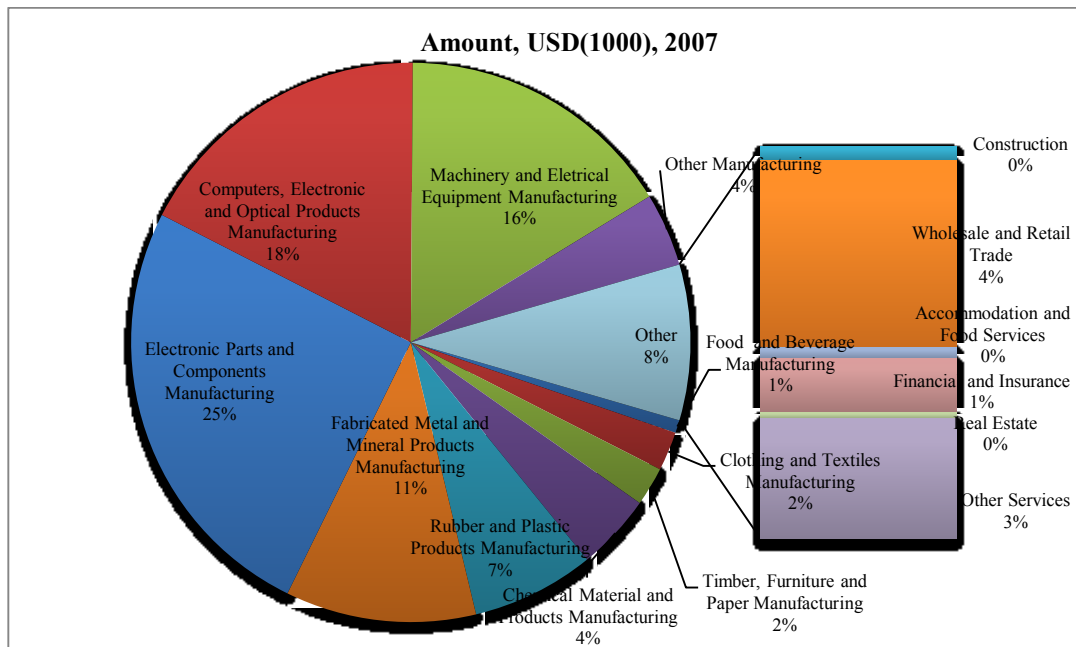


Figure 1-5: 2007 Investment in China, by industry, source: CIER (2007)

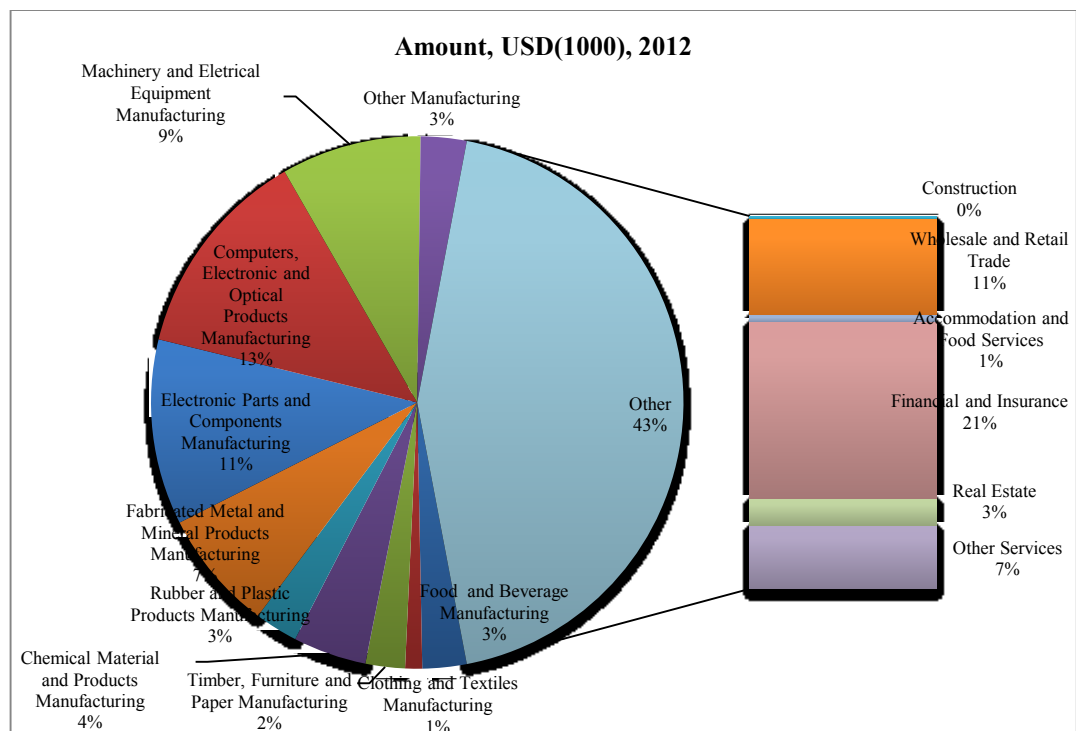


Figure 1-6: 2013 Investment in China, by industry, source: CIER 2012

1.2.1.1 History and Culture

The political relationship between Taiwan and China is complex and controversial. The Chinese Government claims Taiwan is part of China while the Taiwanese Government states that Taiwan is an independent nation. A 1992 consensus states “*both sides (Taiwan and China) recognize there is only one China, but agree to differ on its definition*”. Figure 1-7 is a summary of key events happened in Taiwan and China following a chronological order.

Although Taiwan is not recognized as a nation by most countries, Taiwan is a sovereign state governed by elected Taiwanese president. According to CIER reports, despite the political tension between the two governments, Taiwan is economically and historically intertwined with China. In addition to aboriginal people, most Taiwanese were immigrants from China after the 17th century and the civil war in 1949. People in Taiwan and China share similar culture, but the situation has changed since 1895.

Following military actions, Chinese ceded Taiwan to Japan in 1895. Taiwan became a colony of Japan and strongly influenced by Japanese culture through a series of “becoming Japanese” activities such as using Japanese, replacing Chinese surname with Japanese and taking Japanese education. After 50 years’ governance by the Japanese Government, Taiwan was retrieved to Chinese administrative control after Japan surrender in 1945. Chinese civil war in 1949 divided China into Chinese and Taiwanese Governments. The former leader of China, Chiang Kai-shek, retreated to Taiwan and imposed the martial law to disconnect all communication, business activities, and transportation to China for national security. During 1950-1960, Taiwanese Government worked closely with the USA Government and received economic and military aid from USA. Taiwan also became a production base for many USA and Japanese MNEs (e.g. IBM and Sony).

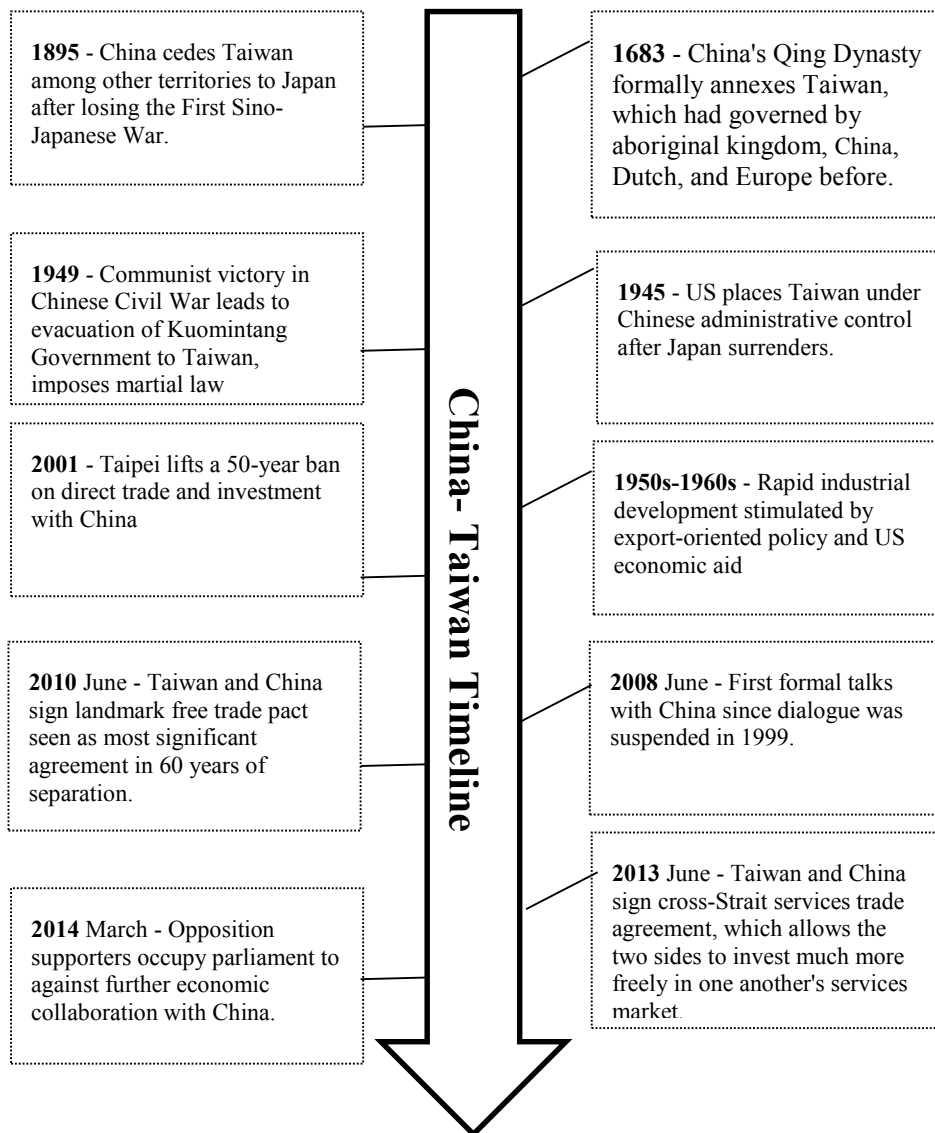


Figure 1-7: China- Taiwan Timeline, Source: BBC (2014) Taiwan Profile

In 2001, the Taiwanese Government officially lifted the 50-year ban and reconnected the transportation, postal service and direct business activities to China. In 2008, the Taiwanese Government had a first formal meeting with the Chinese Government, The Economic Cooperation Framework Agreement (ECFA) was signed in 2010 to remove economic restrictions between Taiwan and China, aiming to improve competence and encouraging more outward investments of Taiwanese MNEs. In 2013, a second stage of ECFA, the service trade agreement was signed but received strong opposition in the following year. Students in Taiwan occupied the parliament

to protest the service trade agreement and requested to stop further economic collaboration with the Chinese Government to protect Taiwanese sovereignty.

Despite the confrontational political position, economic activities between Taiwan and China continue. The Chinese Government offer carrots and sticks to Taiwanese entrepreneurs. The Chinese Government performs missile tests during Taiwanese president election while offering tax breaks and concessionary price for land and other resources to attract Taiwanese investors. Political tendency is a controversial and a problematic topic for Taiwanese entrepreneurs invested in China. The wisdom of dealing with political disputes remains a vital task for Taiwanese entrepreneurs (CIER, 2009).

1.2.1.2 Political tension

BBC Taiwan profile indicates “*Taiwan is an island which has for all practical purposes been independent since 1950, but which China regards as a rebel region that must be reunited with the mainland - by force if necessary*” (BBC, 2014). The attitude of the Chinese Government and actions they took to stop the Taiwanese Government from joining worldwide organization has irritated many Taiwanese. Historically speaking, Taiwanese and Chinese share similar culture and language, thus they should be psychically close. However, Taiwanese entrepreneurs still suffer from great cultural conflicts and *liability of foreignness* in China for two reasons. Firstly, Taiwanese culture is diversified and is a combination of aboriginal, Japanese, American, European (Dutch), and Chinese culture. Moreover, after the Chinese Great Proletarian Cultural Revolution in 1966, traditional Chinese philosophy, including Confucianism and religions, has been removed from culture and education system in Mainland China. In comparison, Taiwanese preserve and inherit most of traditional Chinese culture. These largely increased the psychic distance between Taiwanese and Chinese.

Secondly, Taiwanese have suffered from the vague ethnic identity. The Chinese Government defines Taiwan as a Chinese province and uses diplomacy to deny the existence of Taiwan as a nation. Therefore, Taiwan has been isolated from important global events and diplomatic relationship. The long-term political oppression from

the Chinese Government has irritated Taiwanese nationalists, they protested to prevent further contacts and economic collaboration from the Chinese Government for national security and sovereignty. On 18th, March 2014, hundreds of Taiwanese university students and civil organizations occupied Taiwanese Parliament for 24 days to protest the introducing of the Cross-Strait Service Trade Agreement. USA representative Chris Smith commented on this protest “*The people of Taiwan can be proud of democratic freedoms that have flourished in Taiwan these past decades, but they must remain vigilant in safeguarding them*”. These protests implied that some Taiwanese are emotionally detached from China although they are economically and historically bounded to China.

Political tension between Taiwan and China is reflected in investment flows. In 1996, Lee Teng-Hui, the former Taiwanese president and the supporter of Taiwan independence claimed that a special state-to-state relationship existed between Taiwan and China. To protect national security and sovereignty, Lee Teng-hui restricted financial, insurance and some high technology industries to invest in China. In 2009, president Ma Ying-Jeou loosened the restriction of high technology industry, thus led to another peak of Taiwanese investment in China (see Figure 1-3). Taiwanese investment in China is not only driven by markets, but also by the political tension between these two governments.

There are two political parties in Taiwan: Democratic Progressive Party (DPP) and Kuomintang (KMT). Supporters of each party have different attitudes towards investment in China. DPP’s supporters fight for the independence of Taiwan. They believe the economic collaboration and contacts with the Chinese Government should be restricted to protect the sovereignty of Taiwan. Therefore, Taiwanese entrepreneurs should diversify their investment to other countries so they do not overly rely on China. KMT’s supporters hold different views. They consider Taiwan to be an independent country, but prefer to maintain the current relationship with China instead of claiming its independence. KMT’s supporters see that economic development is the first priority for Taiwan; economic collaboration with the Chinese Government is thus a shortcut for Taiwanese to create another economic miracle. Each party introduces different policies in facing the China issue.

Taiwanese entrepreneurs may find it easier to enter China due to historical and cultural similarities. However, these similarities also create another controversial issue for entrepreneurs: their ethnic identity. They are forced to accept a new nationality given by the Chinese Government, and hence have to deal with the cross-strait political tension and pressure from both home and host country. In addition, they have to manage a diverse workforce who no longer share same traditional Chinese culture as before and have opposite political view with them. These political, historical, and cultural complexities separate Taiwanese entrepreneurs from other foreign entrepreneurs in China, and thus bring new challenges that may influence the operation of Taiwanese firms in China.

1.2.1.3 Entrepreneurship in Taiwan and China

Bruton et al. (2010) argue the institutions have proven to be powerful in examining Entrepreneurship topics in cross-border activities, particularly in the context of emerging economies. Institutional environment limits entrepreneurial opportunities, thus affects new venture creation. The institutional distance between entrepreneurs and locals may create new findings that are not discussed in domestic context.

In terms of the impact of formal institutions on entrepreneurship, Siu (2005) investigate 391 entrepreneurs in China, Hong Kong and Taiwan to uncover the effects of environmental difference on entrepreneurial behaviour and decision-making. His findings shows entrepreneurs in China adopt relation-oriented (*guanxi*) strategies and commit great resources in building relationship with government agency due to the strong government influence in the market. The relationship with government is the shortcut to success for entrepreneurs operating in China (Zhou, 2013). In comparison, entrepreneurs in Taiwan operate in a politically constrained but economically free environment. They tend to commit resources in business operation and foster relationship with suppliers and customers instead of government.

In terms of the impact of informal institutions on entrepreneurship, Nguyen et al. (2009) examine the impact of culture on entrepreneurs' desire, intention and confidences in entrepreneurial process. China is a transition economy and has relatively thin formal institutions, implying the informal institutions play a more

significant role in China (Siu, 2005). In comparison, Taiwan is a newly industrialised economy that has legitimized and supported private firms for over half a century. As shown in section 1.2.1.1, Taiwanese culture is the combination of Chinese, Japanese and American culture that has significant impact on the entrepreneurship. In terms of Chinese culture, the Confucian values, followed later by similar values in Taoism and Buddhism, put strong emphases on the importance of society, group, and hierarchical relationships. Although entrepreneurs in China and Taiwan both share Confucian, Taoism, and Buddhism values, its impact is less significant in China due to the Cultural Revolution in 1970s (Hsing, 1998). Additionally, the Communism culture in China increase the difficulties for entrepreneurs due to the lack of private property rights, restrictive taxation, bureaucratic-administrative business culture and excessive administrative discretion and corruption in government offices (Puffer et al., 2010).

In summary, entrepreneurs in Taiwan enjoy a relatively free and stable business environment due to the more complete formal institutions. Additionally, the special relationship between the US and Taiwan has a particular influence on the Taiwanese business culture. Compare with entrepreneurs in China, entrepreneurs in Taiwan are more contract-oriented than relationship oriented in doing business (Nguyen et al., 2009). As shown in Hofstede's index, they also shows less power distance (a society that believes that inequalities amongst people are acceptable) than entrepreneurs in China, implying a less hierarchical business environment and flat organizational structure. The above difference shows the institutional distance of entrepreneurs in Taiwan and China, suggesting potential difficulties for Taiwanese entrepreneurs invested in China.

1.2.2 Review of the internationalization process- entry and exit

Figure 1-8 presents a summary of the motivations of Taiwanese investment in China (CIER, 2007-2012). There are two major trends in Taiwanese investment in China. Firstly, the motivation is shifted from production to market expansion (see Figure 1-8). The labour and property costs in China have rapidly increased due to its fast-growing economy. China is no longer a manufacturing paradise for labour-intensive

industries. CIER (2012) indicates the profits of manufacturing firms have been shrunk to 5% or less. Therefore in recent years, Taiwanese entrepreneurs enter China for market expansion rather than export-oriented production. The rising position of Chinese market in the world may change the investment plan of Taiwanese firms.

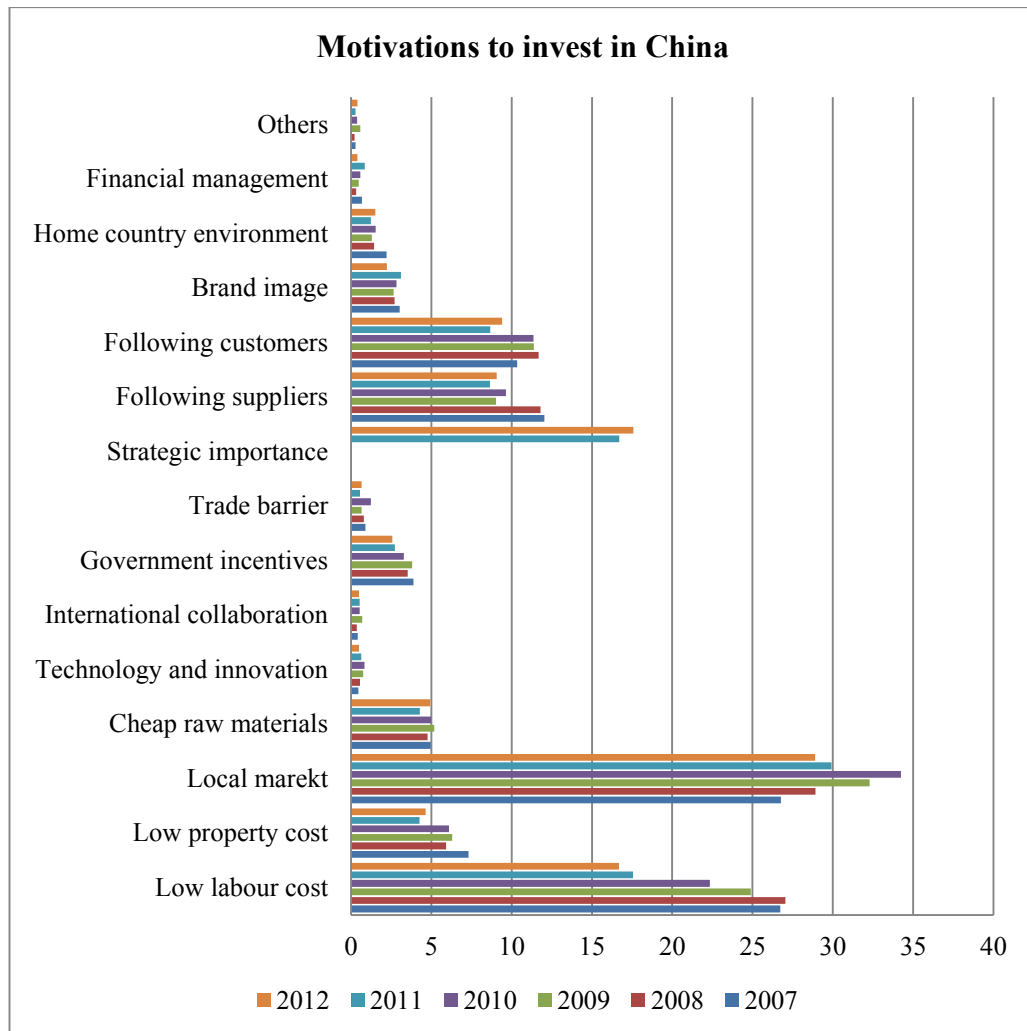


Figure 1-8: Motivation to invest in China, Source: CIER reports 2007-2012

Secondly, strategic importance has become a major motivation since 2011. This could be due to the modification of operation mode in China. In the early stage of internationalization, Taiwanese firms shift the production line to China while remaining headquarters in Taiwan. Recently, the strategic importance of Chinese market has significantly increased, together with the rise of Chinese education level, Taiwanese firms thus start to localise and relocate headquarter to China. These two

aspects imply that the investment environment in China is changing. Taiwanese entrepreneurs are still interested in China; however, they tend to build up a management centre rather than a production base there. Entrepreneurs localise their firms to better meet local customers' demand thus give more power to their local management team. In the near future, Chinese subsidiary is predicted to replace the position of Taiwanese headquarter and become Asian management centre due to expanded Chinese market and its strategic importance (CIER, 2007-2012).

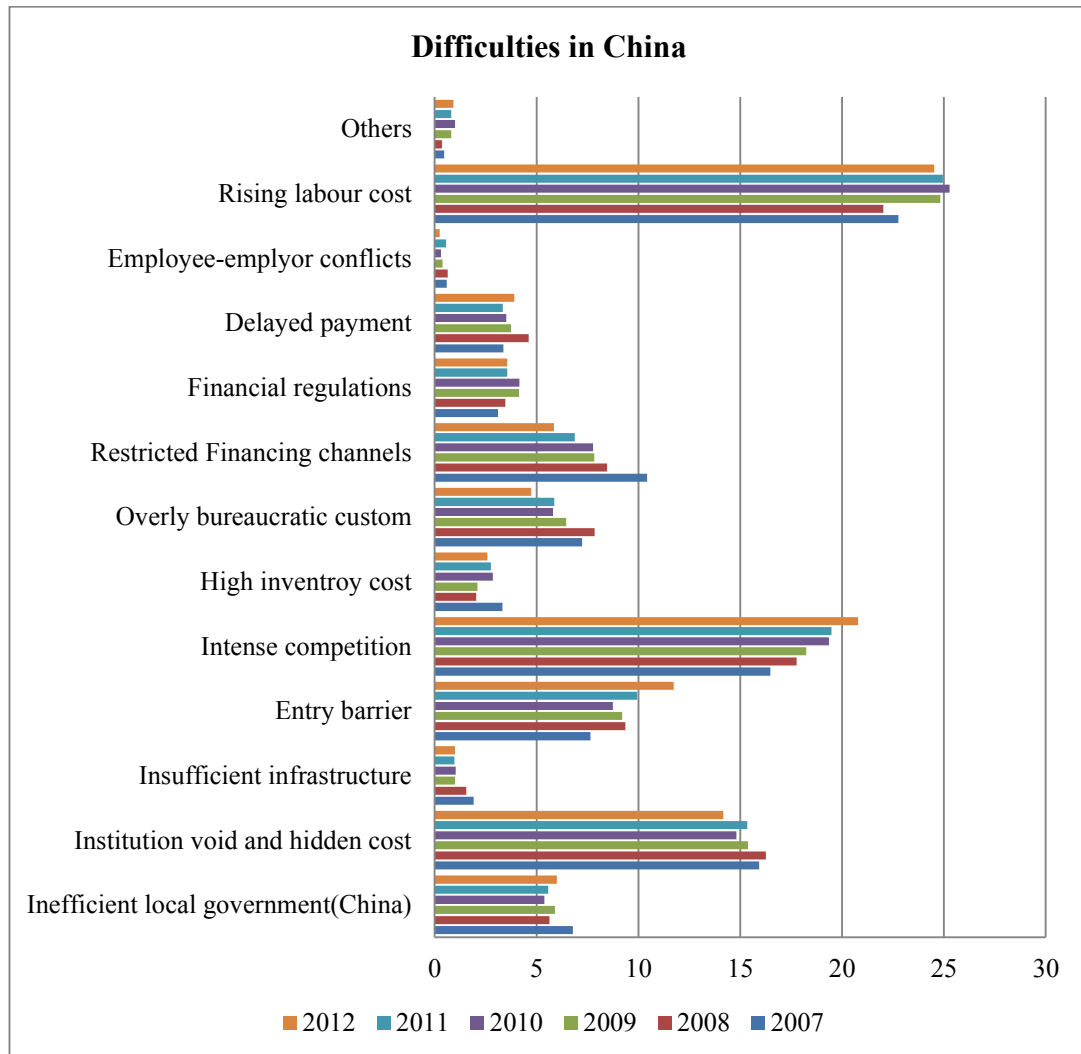


Figure 1-9: Difficulties in China, source: CIER reports (2008-2013)

Despite the advantage of entering Chinese market as reviewed above, Taiwanese entrepreneurs still seek international exit from this country. This is not only due to financial loss but also other difficulties they experienced in China (CIER, 2012).

Figure 1-9 presents the difficulties that Taiwanese entrepreneurs experience in China. These difficulties may not only directly connect to Taiwanese firm's financial performance but affect their long-term operation in China. The top 3 difficulties are labour costs, intense competition and institutional voids and hidden costs. Labour costs and competition level are directly connected to firm's financial performance while poor performance results in international exit. Other difficulties such as institutional voids and hidden costs, employee-employer conflicts, financial regulations, delayed payment, overly bureaucratic custom, restricted financial channels and inefficient local government are all associated with Chinese institutions. Accordingly, Chinese institutions present major difficulties for Taiwanese entrepreneurs and may result in international exit. CIER (2008) suggests informal institutions largely substitute formal institutions thus increase the difficulties for Taiwanese entrepreneurs.

This section provides an overview of Taiwanese entrepreneurs invested in China. Using CIER reports and the Taiwanese Government statistic data, the recent investment trend and historical and cultural background (section 1.2.1) and internationalization process are discussed. Although China is still a major investment destination of Taiwanese entrepreneurs, there is a decline for labour-intensive manufacturing industry. Secondly, the cross-strait relationship affects the investment trend. The recent political tension may have negative impact on cross-strait economic activities. Thirdly, the motivation of Taiwanese entrepreneurs invested in China has been shifted from low-cost production to market expansion. Finally, in addition to rising labour costs and intense competition, institutional problems are the main difficulty for Taiwanese firms to survive in China. Entrepreneurs are suffering from institutional distances despite the historical connections with China; moreover, the political tension may increase the distances.

CIER reports collect data through surveys. The reports use individual firms as unit of analysis and target at the general investment trend. However, CIER reports fail to uncover the role of Taiwanese entrepreneurs in decision-making. For example, the political tension affects Taiwanese investment, but each entrepreneur may have different judgements based on their political preference (DDP vs. KMT). In addition,

these reports only represent the investment trend of large Taiwanese multinationals in China while lacking of exit samples and small-and-medium sized firms. These concerns thus inspire this research of investigating entrepreneurs' mind-set in making exit decisions. The next section discusses my research motivations.

1.3 Research motivation and pilot study

Bruton et al. (2010) indicate the internationalization activities in emerging economies are an interesting and a fruitful area since their unique institutional environment shape entrepreneurial behaviours. This research was inspired by the Taiwanese government report showing the major exit trend of Taiwanese entrepreneurs invested in China (see section 1.2.2). A number of reports from business press (Business weekly) and Taiwanese government (CIER 2007-2012) provide evidence of the trend of international exit. As suggested by Taiwanese government, investigating the exit trend of Taiwanese entrepreneurs invested in China is an "urge and important" topic (CIER, 2012: 209) since China is the most important business partner. Additionally, this research was particularly motivated by McDermott (2010) and Jones et al. (2011) that firm's post entry development remains a "*neglected area a neglected area among the international business and business strategy academics*"(McDermott, 2010: 1).

In response to the empirical and academic call, I conduct a pilot study to explore the question "**Why do Taiwanese entrepreneurs who have invested in China exit**" (see section 2.4). Meanwhile, I review international exit research and summarize a list of variables that may result in international exit (see Appendix A). Interestingly, those variables (environmental and organizational variables) I found in the international exit literature cannot fully explain the finding of my pilot study. The two entrepreneurs emphasized the role of their personal goals, family and predisposition of China in making the international exit decisions. Additionally, they connected their actions in internationalization with their emotions, highlighting the role of entrepreneur's emotions in decision-making. The finding of my pilot study challenges current understanding of international exit: international exit is the organizational response the deteriorated environment (Boddewyn, 1963; Benito,

2005). Building on my finding of pilot study, this research use entrepreneurs as my units of analysis and investigate the impact of their personal goals, family, and predisposition of host country, and emotion on decision-making in internationalization.

1.4 Research questions

Building from the three research gaps (see section 2.1.3): (1) *the role of decision maker in internationalization* (2) *internationalization research in emerging economies*, and (3) *post entry behaviours and finding in my pilot study*, I concluded that international exit is entrepreneurs’ personal choice resulted from both economic and non-economic variables. Unlike other IB or strategic management research use organizations as units of analysis, the aim of this research is to understand why “entrepreneurs” make international exit decisions. My main research question is therefore:

“Why do Taiwanese entrepreneurs who have invested in China exit?”

Main research question:		
Why do Taiwanese entrepreneurs who have invested in China exit?		
Theme	Theme topic	Subsidiary research questions
A	Entrepreneurs’ non-economic variables resulting international exit (predispositions, family, personal goals)	Why do entrepreneurs make international exit decisions? Viewed from an individual and non-economic perspective.
B	Entrepreneurs’ emotions and actions in internationalization process	How do incident-generated emotions shape entrepreneurs’ actions in internationalisation process from entry, operations to exit decisions?
C	The decision making of international exit	How do entrepreneurs make the decision of international exit and what is the outcome?

Table 1-1: Research questions and themes

Given the insights gained from my pilot study, three research themes are therefore developed. Theme A explore entrepreneurs’ non-economic variables resulting international exit, targeting entrepreneurs’ predisposition, family and personal goals suggested by my pilot study. Theme B examines how entrepreneurs’ emotions shape their actions since emotions are proven significant in decision-making in my pilot study. Theme C explain how entrepreneurs make the decision of international exit,

aiming to provide a comprehensive view of entrepreneurs' decision making of international exit and add the non-economic perspective to Benito and Welch's (1999) model. The reasons for these themes and subsidiary research questions are elucidated in section 2.5. Research significance: Why this thesis?

My interest in international exit started from the empirical side. However, my pilot study challenges current IB theories such as foreign divestment (Boddeyn, 1973) and de-internationalization (Benito and Welch, 1999). This research argues international exit decision is not an organizational decision but an entrepreneur's decision. Following my finding from the pilot study (non-economic variables and emotion), this thesis investigates international exit decisions from non-economic and individual perspective. To present the significance of this research, current understanding of international exit is firstly presented in section 1.4.1. Research gaps are identified in section 1.4.2, showing what we do not know about international exit. Finally, section 1.4.3 shows how I fill these research gaps by introducing theories in Entrepreneurship field.

1.4.1 Current understanding of international exit

International exit is usually a difficult decision an organization has to make, and it occurs "*when a firm loses one of the ownership, location or internalization advantages*" (Dunning 1988:22). Benito (2005) suggests international exit is the result of unmet organizational performance or strategic changes. This argument is perceived from the economic and strategic management perspective; it claims that external changes result in poor performance and strategic renewal, thus organization chooses to exit host country for better performance. Studies of IB field view international exit decisions from an economic perspective (e.g. Boddeyn, 1983; Duhaime and Baird, 1987; Li, 1995; Mata and Portugal, 2000). That is, it is a profit maximizing decision to minimize the financial loss or pursue better performance.

Benito and Welch (1997) define de-internationalization (international exit) as an organizational response to altered market or environment conditions. From this economic rational perspective, international exit is the consequence of poor organizational performance resulted from operative outcomes of changes in

transaction, production costs and sales revenue. This suggests that international exit is a failure associated with bad judgments, inappropriate strategies, and current incapability to problem-solving or an inferior future (Boddewyn, 1983).

In addition to the “failure” perspective, other scholars consider international exit to be a strategic move regardless its success or failure; it is a belief that this move can somehow improve organizational performance (De Rond and Thietart, 2007). Therefore, it is possible for firms to divest a not “fit” whilst profitable ventures (Duhaime and Grant, 1984). In this case, international exit enables efficiency improvement (Fisch and Zschoche, 2012) and a pursuit of different organizational goals (Makino et al., 2007). Early studies of Foreign divestment (FD) mainly focus on large Western MNEs (e.g. Boddewyn, 1979, 1983; Duhaime and Grant, 1984; Li and Guisinger, 1991) and their foreign subsidiaries. These scholars claim that “subsidiaries are born, grow and die.” That is, foreign subsidiaries are born with certain missions, and they will be closed whenever their missions completed. Using Vernon’s (1966) life cycle theory to explain international exit, Benito and Welch (1997) suggests international exit is the last step for a declining industry, it is the natural route in an end-game situation. International exit is thus anticipated but not a shock, and it is not necessarily a de-internationalization but part of the internationalization process (McDermott, 2010).

From different perspectives (failure and strategic choice), IB scholars conclude that international exit is based on a belief which this action can somehow improve a firm’s strategic management and organizational performance (Benito and Welch, 1997; McDermott, 2010). IB researchers pay more attention to the economic value of a firm such as financial performance and strategic importance (Benito, 2005; McDermott, 2010; Gabrielsson and Gabrielsson, 2013); hence, two types of variables are frequently discussed: environmental and organizational variables.

A basic assumption of studies targeting on environmental variables is that international exit is the organizational response to deteriorated environment such as economic conditions (Box, 2008), institutions (Dhanaraj and Beamish, 2009), industrial competition (Shaver et al., 1997), and rising costs (Fisch and Zschoche,

2012). Environmental/external condition would result in unmet organizational performance, which is strongly connected to international exit (Benito and Welch, 1997). Researchers focus on organizational variables argue organizational resources have more immediate and direct impact on firm's foreign operation (Geroski et al., 2010). Organizational variables such as firm characteristics and resources (Li, 1995; Mata and Portugal, 2000; Westhead et al., 2001; Bercovitz and Mitchell, 2007) and entry strategies (Zaheer and Mosakowski, 1997; Makino et al., 2007; Kronborg and Thomsen, 2009) are examined on foreign business closure. From their viewpoints, firms exit the host country in order to correct mistakes previously made, such as inappropriate strategic choices.

In summary, international exit is viewed as a failure or strategic change and an organizational decision in current IB studies. The summary of these studies is shown in section 2.3 and Appendix A.

1.4.2 Theoretical challenges: needs to focusing on individual level analysis and emerging economies

This section shows two research gaps in current international exit literature: individual level analysis and the context of emerging economies. This thesis firstly argues international exit should not be viewed as an organizational response as suggested by IB scholars. Entrepreneurs should be the key active agents in decision-making and unit of analysis. Benito and Welch (1997) use the term de-internationalization to discuss phenomena including divestments, pulling-out of a market, downsizing foreign operation, switching from high to low commitment level, relocating and shutting down foreign ventures. Although de-internationalization discusses similar phenomena like this research, this research use the term international exit instead of de-internationalization for following reasons. Firstly, de-internationalization is a broad term including a variety of activities listed above. However, my research only focuses on the most radical organizational change, international exit. Secondly, this research examines the exit behaviour instead of firms' overall internationalization strategy. The main focus of this research is why "entrepreneurs" make this decision and what is the outcome for "entrepreneurs", but

de-internationalization literature mainly targets at why “headquarters” make this decision and what is the impact on headquarters, firm’s strategic management and the degree of internationalization. Therefore, the term “international exit” is more appropriate than de-internationalization in this research.

The first research gaps is addressed by my pilot study that international exit is an entrepreneurs’ response to poor organizational performance, strategic change and/or unmet personal expectations. IB literature typically examines venture closure from organizational and environmental levels, neglecting the continuous and pervasive interface between entrepreneurs’ cognition and emotions. Thus it is incapable to explain why entrepreneurs of my pilot study shut down a profitable and strategic important foreign venture. In strategic management literature, Gilmour (1973) suggests withdraw decisions are more centralized in decision-making and is characterised by less decision rationality. He argues it is more a personal choice of decision maker than a rational and organizational decision. This research shows the role of entrepreneur, but it is a domestic divestment research and the definition of decision rationality is not clear.

In international entrepreneurship literature, Turcan (2006) indicates entrepreneurs’ escalation of commitment would procrastinate de-internationalization, thus result in blind persistence in poor performing foreign ventures. Although this research shows how entrepreneurs’ subjective evaluation affects their decision-making, it views it as the obstacle of making a rational and timely de-internationalization decision. It fails to explain the voluntary and perceived successful business closure in my pilot study. In business closure literature in Entrepreneurship field, DeTienne et al. (2008) indicate the fallacy of “only the strong survive”. They argue each entrepreneur have idiosyncratic threshold of performance; thus, they may make different decisions under the same situation. This research focuses on domestic business closure thus is insufficient to explain the impact of entrepreneurs’ predisposition of host country, proven to be key factory in the pilot study.

Accordingly, the role of the entrepreneur in making international exit decisions is shown in strategic management, international entrepreneurship and entrepreneurship

literature, indicating the theoretical significance of this research. However, each strand of theories alone is insufficient to explain international exit since this research requires interdisciplinary knowledge including strategic management, internationalization, and entrepreneurship field.

The second research gap is the lack of emerging economies research on international exit. My research targets international exit decisions of Taiwanese entrepreneurs invested in China, because the impact of radically changing and turbulent institutions in emerging economies is relatively under explored (Wright et al., 2005). A great deal of research on IB focuses on internationalization in the developed countries (Wright et al., 2005), which seems to have a stable institutional framework that usually requires less emphasis. However, emerging economies have become a major foreign investment destination in recent decades, and attract more attentions from scholars of IB studies (Peng et al., 2008a). The informal and formal constraints of an institution, regarded as the “*rules of the game*” (North, 1990) are the main force in shaping the strategy of a foreign firm (Wright et al., 2005). Thus, an institution-based view could be as important as the other two views (resource-based and industry-based) for foreign firms engaged in emerging economies (Chung and Beamish, 2005; Peng et al., 2008a; Xu and Meyer, 2012). The research context of this thesis is expected to have significant impact on international exit decisions (see section 1.2).

My research aims to shed the light on entrepreneurs’ impact on decision-making. Following my pilot study, I explore the impact of entrepreneurs’ non-economic variables (personal goals, predispositions and family) and emotions on decision-making in international exit. To understand international exit from non-economic and emotional perspective, I found it necessary to integrate the IB and Entrepreneurship theory to achieve a more satisfactory explanation of entrepreneurs’ decision-making of my pilot study. The shortcomings of IB research are addressed by two entrepreneurship theories: Threshold theory (Gimeno, 1997), entrepreneurial emotion (Baron, 2008; Cardon et al., 2012), and learning theory (Vygotsky, 1997). The next section presents Entrepreneurship theories that used in each theme.

1.4.3 The role of entrepreneurs' non-economic variables in international exit decisions

This section introduces concepts and theories used in this thesis. Firstly, Theme A is inspired by Gimeno et al. (1997) and Detienne et al. (2008) that organizational performance is not the only criterion in making an exit decision, entrepreneurs are seems to have idiosyncratic threshold of performance to examine the value of the firm and make exit decisions accordingly. The value of a firm is composed by firm's economic and non-economic value (Zellweger and Astrachan, 2008). Entrepreneurs may be less sensitive to financial loss (economic value) if they perceive higher non-economic value of the firm. For example, higher socio-emotional wealth of family firms reduce the threshold of performance thus affect exit decisions (DeTienne and Chirico, 2013).

My pilot study shows three non-economic variables that compose the non-economic value of the firm: predispositions, personal goals and family. Vygotsky's (1997) learning theory is applied to explain entrepreneurs' predispositions, showing that entrepreneurs' social and historical experience construct their predispositions of host country and these predispositions would shape their interpretation of next social and historical experience. The state of flow (Csikszentmihalyi, 1990) theory is introduced to explain the role of entrepreneur's personal goals, indicating entrepreneurs are driven by things they are interested in and enjoy (Chrisman et al., 2012). The family socio-emotional wealth (Gómez-Mejía et al., 2007) is applied to explain the role of family since entrepreneurs may lower the threshold of performance if the venture have higher socio-emotional wealth (Detienne and Chirico, 2014). In summary, economic perspective in IB field alone unlikely helps explain entrepreneurs' decisions in my pilot study. A non-economic perspective and theories in Entrepreneurship field are introduced to achieve a more satisfactory explanation.

In Theme B, entrepreneurial emotion literature shows how emotions shape entrepreneurs' behaviour in terms of opportunity recognition (Welpel et al., 2012), commitment (Foo et al., 2009), and entrepreneurial process (Baron, 2008). The individual's emotional state is expected to have the greatest influence on

entrepreneurial cognition under the conditions of high uncertainty and risk or making complex decisions given limited time and information (Forgas and George, 2001; Loewenstein and Lerner, 2003). As a foreign entrepreneur who makes decisions on emerging markets, Taiwanese entrepreneurs face higher risk and uncertainty due to the institutional distances. Hence, entrepreneurs' emotions may provide an alternative explanation to entrepreneurs' actions in internationalization in addition to economic rational perspectives. International exit can therefore be influenced by both economic and non-economic variables.

To investigate the international exit journey holistically from entrepreneurs' perspective, a theoretical framework is developed, tested, and revised in Theme C. This framework is built on Benito and Welch's (1997) decision-making model of de-internationalization and revised by threshold theory in Theme A (Gimeno et al., 1997) and entrepreneurial emotion literature in Theme B to provide an alternative explanation to entrepreneurs' decisions in internationalization in addition to economic rational perspectives. This section provides overviews of the research arrangement and key concepts. The next section presents the research questions.

1.5 Research process and summary of method

I started my research with Taiwanese entrepreneurs invested in China for the following reasons: practical importance and theoretical significance. Practically, as discussed in section 1.2, Taiwanese government and the press identified the exit trend of Taiwanese entrepreneurs invested in China. Since China is the most important business partner, Taiwanese government call for more in-depth investigation of this trend. To investigate international exit, a lengthy literature review was conducted on 136 articles on foreign business closure, foreign divestment/divestiture, de-internationalization and international exit (see Appendix A). Meanwhile, the pilot study was conducted on two Taiwanese entrepreneurs who have exited China. Surprisingly, the theories normally explaining international exit in IB and strategic management literature proved inadequate to explain the empirical finding of my pilot study. Hence new theories were considered and fed back to revise

the following fieldwork. This process continued until the new theories are capable to explain the new findings.

This is a multi-disciplinary research using theories and concepts from IB (e.g. de-internationalization, foreign divestment, international strategic management, institutions) and Entrepreneurship (entrepreneurial exit, business failure, entrepreneurial emotions, family business) field. Individual learning theories are also applied to explain the decision-making process. Each theory can explain some features of entrepreneurs in making international exit decisions, but falls short of a comprehensive explanation. Thus, empirical findings of this research highlight the needs of integrating theories in IB and Entrepreneurship and present in a uniform body- my theoretical framework (Figure 4-1).

To answer the research questions, I used data collected from multiple case studies including interview and achieves. I use five criteria (section 4.3.2) to ensure a balanced sample selection and characteristics of the firms. A total of seven cases were selected including five exit cases and two stay cases. Primary empirical data are from in-depth interviews with the entrepreneurs. Other data come from interviewing entrepreneurs' family, staff, business partners and friends, company achieves, annual reports, press release and websites are studied to provide supplementary data and data triangulation (Miles and Huberman, 1994). Critical incident technique was applied to conduct interviews, based on interviewees' accounts of their previous experience from their memories (Turcan, 2006). This technique allowed me to collect data from entrepreneurs' perspectives and in their own words without any given framework and hence identify rare incidents to discover the causes and outcomes of decision-making on the international exit.

This research topic was relatively new in IB and Entrepreneurship field as the attention is only recently moved to international exit and entrepreneurs' emotions (Benito, 2005; Cardon et al., 2012). Therefore, this study intends to contribute to theory building rather than theory testing. Multiple case studies methodology was used to conduct the data collection since it is suitable for theory building research (Eisenhardt, 1989). This methodology enabled me to clarify the process that how entrepreneurs construct and adjust their cognition through their emotions, and

allowed me to compare the idiosyncratic process of each entrepreneur (Zahra et al., 2005).

1.6 Definition of key concepts

Concepts	Elucidated in	Definition
International exit	Section 2.2.1.3	International exit is entrepreneurs' response to poor organizational performance, strategic change and/or unmet personal expectations. It is the process by which entrepreneurs of privately held firms discontinue the operation of their foreign ventures and completely exit the host country
Entrepreneur	Section 3.1	I define an entrepreneur as an active owner-manager who is the key decision maker of a firm
Organizational and environmental variables (economic variables)	Section 2.3	Environmental and organizational variables are called economic variables in this research. Because they affect a firm's economic value- financial performance and strategic importance and may result in international exit.
Individual variables (entrepreneurs' non-economic variables)	Section 3.1	Individual variables refer to entrepreneurs' reasons of making international exit decisions. In this research, individual variables are considered to be non-economic ones since they are less relevant to organizational performance but are important for entrepreneurs to make international exit decisions. Entrepreneurs' non-economic variables affect entrepreneurs' perceived non-economic value of a firm and may result in international exit.
Predispositions to host country	Section 3.1.1	Entrepreneurs' predispositions to host country refer to a liability or tendency to act in a particular way or hold a particular attitude toward the host country.
Personal goals	Section 3.1.2	Personal goals reflect entrepreneurs' attitudes, values, and intentions of the organizational operation. They can be economic or non-economic; this research mainly focuses on entrepreneurs' non-economic expectation of the firm.
Family and socio-emotional wealth	Section 3.1.3	Socio-emotional wealth refers to the non-economic aspects of the firm that meet the family's affective needs.
Entrepreneurs' Emotions	Section 3.2	Emotion is the affect, mood or feeling of entrepreneurs that is information, moderator, and consequence of international exit. This research identifies six incident generated emotions: passion, confidence, empathy, anger, fear and disgust. Section 4.6.2.1 shows the definition of each emotion.

Table 1-2: Definition of key concepts, source: author

Eight key concepts are reviewed and defined in this study. Detailed accounts of each concept are provided through different chapters. Table 1-2 is a summary of these concepts and the sections where they are discussed.

1.7 Structure of the thesis

Figure 1-10 is a glance of the thesis chapters.

Chapter 2: Understanding international exit literature in IB field

This chapter offers detailed theoretical view, starting from reviewing the mainstream theories of internationalization and international exit in IB field; this aims at understanding the evolution of this field. It defines international exit and reviews published work in different geographic contexts and level of analysis. From the literature review, three research gaps are identified: the shortage of post-entry research, individual level analysis and emerging economies research. The role of entrepreneur in making international exit decision is found, but what and how entrepreneurs affect decision-making remains a question. To fill the three research gaps and answer questions, a pilot study was thus introduced to refine and portray the subsidiary research questions. Empirical findings in pilot study formulated the research themes and subsidiary questions. Additionally, these findings inspire me to apply theories and concepts in Entrepreneurship field to explain the entrepreneurs' international exit decisions, which cannot be explained by current international exit theories in IB field. This chapter concludes by introducing research questions and themes that will be answered by other strands of literature in the next chapter.

Chapter 3: Integrating Entrepreneurship theories

This chapter gives a detailed review of international exit by three identified themes. Theme A examines individual variables of international exit using threshold theory in business closure literature. Theme B explains the role of entrepreneurs' emotions in shaping their actions by entrepreneurial emotion literature. Theme C summarizes the previous two themes. Building on Benito and Welch's (1997) de-internationalization decision-making model and revised by theories in

Entrepreneurship field, a theoretical framework of entrepreneurs' decision-making on international exit is proposed.

Chapter 4: Methodology

This chapter presents detailed review of the research design. This research employs a multiple case study approach to explore the usefulness of the theoretical framework. Case companies are carefully selected following 5 sampling criterion and different sources of data are used through the analysis. The data was collected from interviews with entrepreneurs, stakeholders, websites, videos and archival data until reached the point the data saturation. Examples of data coding and analysis are shown in this chapter.

Chapter 5: Finding of case companies

This chapter presents the empirical part of the thesis and gives an overview of the cases and their internationalization process. The data presentation structure is based on each theme: general information of the case company and entrepreneur, individual variables (Theme A), positive and negative emotions as well as actions (Theme B), and entrepreneurs' definition of international exit and its outcomes (Theme C). Six emotions are selected since they are frequently appeared and connected to entrepreneurs' decision-making in internationalization (Doern and Goss, 2014). This chapter provides data for further discussion in the discussion chapter.

Chapter 6: Discussion

This chapter provides the analysis and discussion of the data informed by the literature review in order to answer the research questions under each theme. It tests the usefulness of theoretical framework suggested in Chapter 3, and revised according to my empirical finding in Chapter 5. This chapter responds to research questions: **Why** do entrepreneurs make international exit decisions (Theme A)? **How** do incident-generated emotions shape entrepreneurs' actions in internationalization process from entry, operations to exit decisions (Theme B)? **How** do entrepreneurs make the decision of international exit and what is the outcome (Theme C)? A

revised framework of decision-making in international exit is also presented based on the data analysis

Chapter 7: Conclusions

This chapter concludes the thesis and discusses the research's theoretical contributions on the field of IB and Entrepreneurship. The integration of IB and Entrepreneurship theories provides a better explanation of the international exit of Taiwanese entrepreneurs invested in China. This thesis underlines the role of entrepreneurs in making international exit decisions, showing how their personal predispositions and needs (family and goals) diverge their decisions from rational optimal. Although organizational performance is important, there are something more important than financial performance in an entrepreneur's mind. Additionally, this research emphasises the centrality of entrepreneurs' emotions, which are rarely discussed or viewed as a disruption to make rational decisions in IB and strategic management literature. The research shows the attractiveness of entrepreneurs' emotions and what kinds of emotions are related to opportunity pursuit, individual learning, and international exit decisions.

In summary, this section shows international exit is not an organization's decision. Alternatively, it is an entrepreneur's subjective, emotion-driven, and personal choice. Entrepreneurs not only need to achieve financial survival but also emotional survival in their foreign operations. It is time to acknowledge emotions are as important as cognition, which usually assumed purely rational. Emotions and cognitions are parts of each other; therefore, the decision-making of international exit is the merger of the two.

This chapter also recommends to practitioners (entrepreneurs/managers and policy makers), suggesting how to learn and adapt in the institutional distant country and how they may manage their emotions for opportunity pursuit and long-term survival in foreign country. The thesis ends with suggestions for future research and possible potential publications.

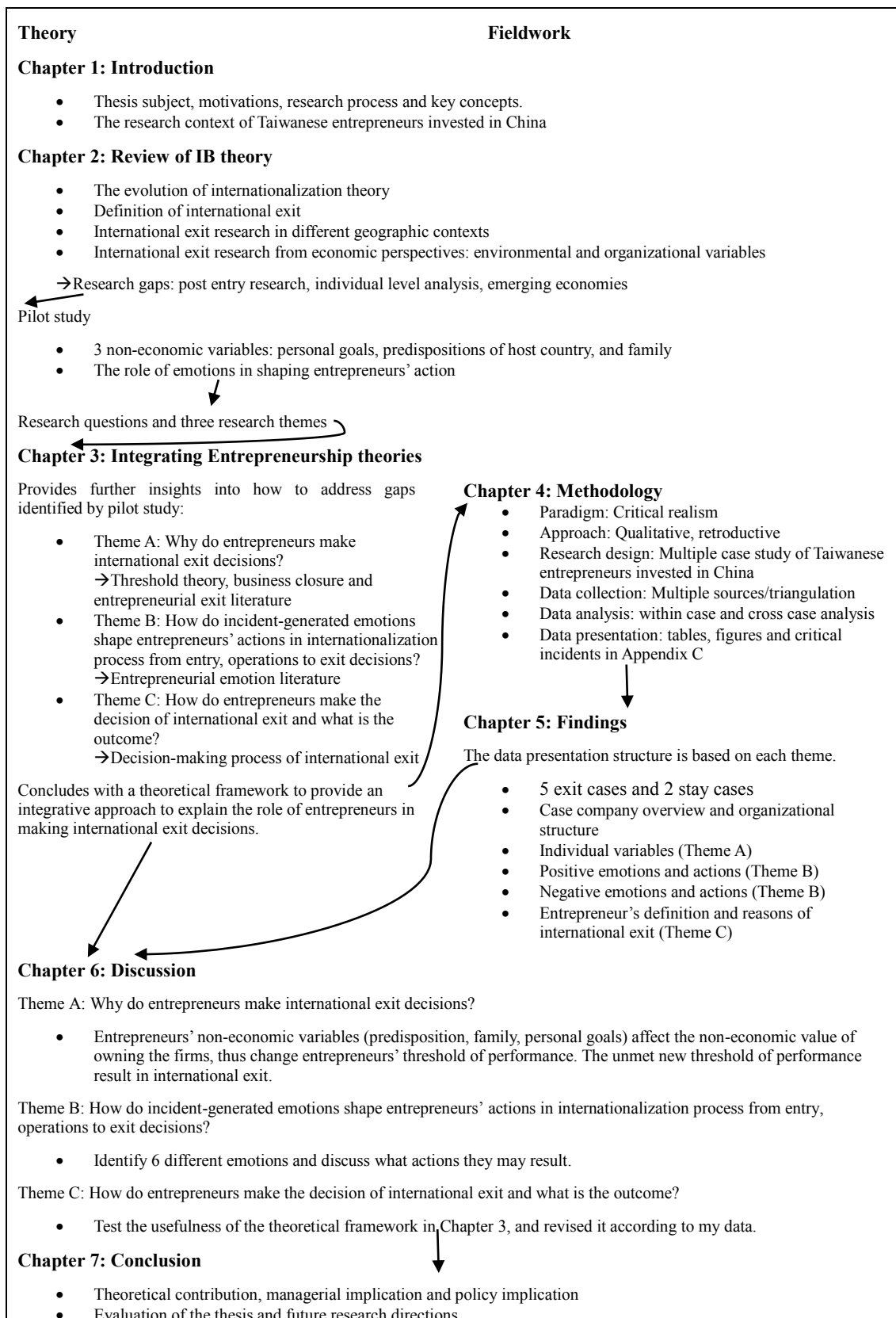


Figure 1-10: Structure of the thesis, source: author

Chapter 2 : Understanding international exit- An International Business perspective

Chapter 2 examines the role of entrepreneurs in international exit by systematically reviewing studies on internationalization, current debates on international exit, a pilot study and research gaps. Figure 2-1 presents the structure of the literature review (Chapter 2 and Chapter 3). This chapter focuses on international exit literature in International Business (IB) field and identifies 3 main research gaps: the shortage of international exit research, individual level analysis and emerging economic research (see section 2.3.3). To address these research gaps, the main research question is proposed guided by three research themes. Chapter 3 examines each research theme using literature in Entrepreneurship field.

This chapter starts by a brief discussion of the evolution of internationalization theories and the behavioural turn in the International Business (IB) field (section 2.1). Section 2.2 then moves to review theories and definitions of international exit by viewing divestment, de-internationalization, relocation and business closure literature.

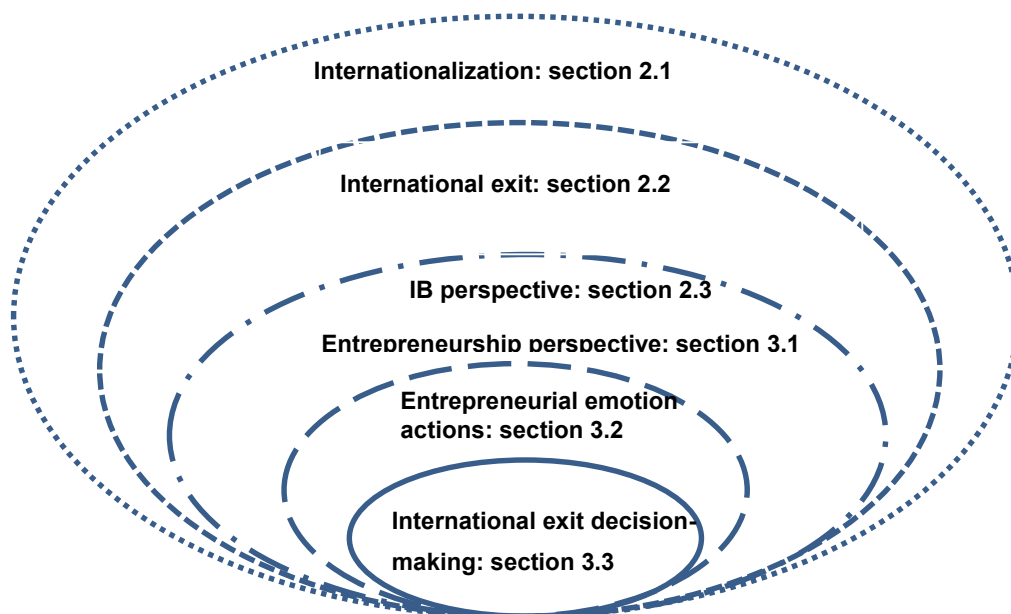


Figure 2-1 Structure of Literature review, source: author

International exit is the result of unmet organizational performance or strategic changes (Benito, 2005). This argument is based upon an economic and strategy management perspective in which external changes lead to poor performance and strategic renewal thus organizations exit host country for better performance. Environmental and organizational variables have been examined in section 2.3 since these variables affect organizational performance and survival. Guided by the research gaps, a pilot study is conducted to examine the decision-making of international exit from entrepreneurs' perspective. The result is presented in section 2.4; inspiring three main themes and subsidiary research questions to further investigate the role of entrepreneur in making international exit decisions in section 2.5. The next section gives an overview of theories and concepts of internationalization.

2.1 Theories and Concepts of Internationalization

This section gives an overview of the theory development in International Business (IB) field, highlighting the behavioural turn in internationalization research. Scholars, business experts and Government officers have encouraged firms, including established and new ventures, to internationalize. Internationalization is considered to be a critical decision for firms and a symbol of success. It is defined as "*the process of increasing involvement in international markets*" (Welch and Luostarinen, 1988:333). Internationalization can be presented in many ways: export, joint ventures, licensing, acquisition and foreign direct investment (Johanson and Vahlne, 1993). To internationalize, firms firstly need to have the motivation and secondly need to develop international strategies to decide a destination country, an entry mode, and to what extent a global production chain is established and maintained. Finally, firms need to acquire necessary resources to implement internationalization.

2.1.1 Internationalization: Rational Perspective

This section examines the economic rational model of decision-making, suggesting decision makers rely on the objective analysis to make a profit maximization decision. Since the mid-1970s, IB research has been focused on how, why and when firms internationalize. Internationalization is a strategic decision. Jones et al. (2011)

and Keupp and Gassmann (2009) conclude that most IB literature focuses on the antecedents and outcome of internationalization in terms of environmental, organizational, or individual levels. Studies on internationalization can be broadly categorised into two main themes: rational and bounded rational perspectives. The classic example of rational perspective is John Dunning's eclectic paradigm model (OLI model), he suggests internationalization is the static pattern of investment in foreign countries that should be designed by the economic analysis of transaction costs (Dunning, 1988b). Hence, internationalization should be a profit maximising decision.

A rational decision requires comprehensive and scientific analyses of current environment and resources (Rajagopalan and Spreitzer, 1997). Decision makers need to seek all alternatives by accessing relevant information, evaluate possible outcomes of these alternatives and current resources, and hence select the best option (Allison and Zelikow, 1971; Ansoff, 1977; Andrews, 1987). Strategic decision-making is a formal, linear, optimizing and systemic planning process (Ansoff, 1977). Scholars adopting rational perspective borrow concepts from economic models to objectively analyse the situation and make decisions. Theories emerged from economics concepts are used to explain the internationalization of large Western MNEs. For example, OLI model (Dunning, 1988b), transaction cost (Coase, 1937), and internationalization theory (Rugman, 1981; Buckley and Casson, 1998) using economic models to explain the international entry decision.

A rational perspective means that the decision-making matches firm's resources with external environment to achieve profit maximization. In line with rational perspective, Dunning's OLI model (1988) explains internationalization citing three advantages: ownership, internalization and location. The core concept of this model suggests international production pattern is the eclectic choice among ownership, internalization and location advantages to achieve maximum profit (Dunning, 1988). A researcher studying internationalization using rational perspective usually focuses on environmental and organizational level analysis and examines cause and effect relationship. A basic argument of rational perspective is that decision makers are rational and aim to achieve profit/utility maximization. The next section challenges

this view by presenting the behavioural turn- the emergence of Uppsala model, International Entrepreneurship (IE) field and LLL model.

2.1.2 Internationalization: the behavioural turn

The other group of scholars has disputed the rational perspective. For example, Dean and Sharfman (1993) argue that the degree of decision rationality depends upon the task complexity and environmental uncertainty. In reality, decision makers are surrounded by information more than they can comprehend (Mintzberg, 1978). From this point of view, Mintzberg (1978) argue that decision making is not a cause and effect relationship, rather it is a closely intertwined process. Pettigrew (1992) agrees with this critique and states the strategy planning is not a scientific calculation but a pool of evolutionary thoughts from various dimensions to consider how they can differ the organization. The decision-making is not a rational process of searching an optimal choice; instead, as Schwarz (2011) notes, it is a bounded rational process of searching the first satisfied option.

Schwarz (2011) argues individuals are partly rational and use heuristics to make decisions. The process of obtaining critical knowledge of decision-making is in fact a procedure of perceiving, selecting, and interpreting. In line with this view, Ocasio (1997: 188) explains: “*what decision-makers do depends on what issues and answers they focus their attention on*”. Cognitive biases and selective perception limit the information and options considered, thus decision makers use a simplified model and restrict searching behaviour to make decisions, which is the first satisfactory outcome rather than rational optimum suggested by rational perspective (Cyert and March, 1963b; Schwenk, 1989). Therefore, full access to information and rational analysis is a fantasy rather than reality.

The bounded rational school argues that decision makers are limited individuals rather than omniscient computers. Although there is a dispute between rational and bounded rational perspective and most of strategists assume decision makers are rational- people aim to achieve highest level of decision rationality, a rational decision is impossible. Echoing Simon (1955), behavioural finance scholars view psychological, social, cognitive and emotional variables have an impact on

investment decisions (e.g. Taffler, 2010). They challenge the assumption of investor rationality and accept that decision makers do make mistakes: Behavioural Finance researchers give an insight into non-rational mind by viewing the decision maker as an active agent.

This *behavioural turn* also appeared in International Business (IB) field. Scandinavian scholars proposed the Uppsala model to explain the internationalization process based on behavioural and organizational theories (Johanson and Vahlne, 1977). Johanson and Vahlne (1990) suggest their model predicts the pattern of internationalization: the neighbouring investment and the learning-by-doing strategy. The neighbouring investment refers MNEs usually invest in successively greater psychic distances style and in one or few countries each time. The learning-by-doing strategy means the investment is deliberate and internal people who learn from operating in the market: internal people who carry the knowledge are the key for internationalization.

Focusing on the behavioural aspect within a firm, which is not seen as a single entity but as a set of shifting coalitions composed of different individuals, each of them has their own set of objectives. This approach acknowledges the dynamic and complex nature of decision-making process and examines factors that have been excluded from rational perspectives. It suggests the existence of uncertainty and accepts the constraints on the human decision maker (Casson, 1982). Under the uncertainty, *“different individuals...under similar circumstances, would make different decisions”* (Casson, 1982:24). Entrepreneurs, who are often key decision makers, make subjective judgement because they have different access and interpretation of information.

Researchers adopting bounded rational perspective consider decision makers' unique cognition and thinking to be a critical resource influencing decision making and strategic process (Lumpkin and Dess, 1996). For example, entrepreneurs' personal experience and background (e.g. marketing, technical, social, and returnee entrepreneurs) bring different tacit knowledge thus influence firm's internationalization (Jones and Casulli, 2014a). Moreover, entrepreneurs' orientation

(Filatotchev et al., 2009), network (Coviello, 2006) and background (Andersson and Wictor, 2003) can also influence their decision-making on internationalization.

In summary, IB researchers are aware of the role of decision makers in making internationalization decisions that economic models are insufficient to explain this dynamic context. However, there is a shortage of individual level analysis in this field (Jones and Coviello, 2011; McDougall-Covin et al., 2014). In response to the call of increasing individual level analysis in internationalization, Benjamin Oviatt and Patricia McDougall opened a new scholarly field in 1994: International Entrepreneurship (IE) that bridges the International Business (IB) and Entrepreneurship field acknowledging the importance of managers and entrepreneurs.

2.1.2.1 International Entrepreneurship

This section gives an overview of IE literature; an emerging field that bridges IB and Entrepreneurship field and highlights the role of individuals. IE research is phenomenological-based: compared to the Uppsala model, IE aims to provide a comprehensive explanation of internationalization from different phenomenon. International New Ventures (INVs) “*seek to derive significant competitive advantage from the use of resource and the scale of output in multiple countries*” (Oviatt and McDougall, 1994:31). INVs attempt to identify, evaluate, and exploit opportunities with ownership advantages in an entrepreneurial way through rapid internationalization (Di Gregorio et al., 2008). In line with bounded rational perspective, McDougall-Covin et al. (2014) indicates this area has drawn attention to decision makers such as entrepreneurs and managers in internationalization. Moreover, a successful INV requires a leader with international experience, global coordination skills, and ownership advantages.

Keupp and Gassmann (2009) and Jones et al. (2011) suggest that IE has to some extent uncovered the impacts of individual knowledge, experience, background, networks, and entrepreneurs’ mind-set in internationalization. Some classic models have been revised in response to the development of IE. For example, Johanson and Vahlne (2009) revised the 1977 Uppsala model and emphasize the role of network in

reducing liability of outsider ship in internationalization. They state that " *the correlation between the order in which a company enters foreign markets and psychic distance has weakened... individuals have acquired more general knowledge of foreign environments... this instils in them greater confidence in their ability to cope with psychic distance*" (2009:1421).

IE is considered to be effective at examining different concepts, phenomena, and issues on internationalization. It acknowledges the role of entrepreneur in internationalization and intends to open the black box of internationalization research. Emphasis to individual characteristics, behaviours and cognition is in consistent with recent behavioural turn in decision-making literature. Additionally, IE focuses on different types of firms that form the global economy in terms of their origins, operating modes and strategies. Certainly IE examines large MNEs, which usually based in USA or Western countries, but IE tends to target at INVs, SMEs and firms attract fewer attentions before and aim to uncover their uniqueness (Jones et al., 2011). The uniqueness of these firms is expected to change conventional model in IB field. To give an example, the next section presents Mathews (2002; 2006)'s LLL (Linkage, Learning and Leverage,) model, showing how emerging market data changes the conventional OLI model.

2.1.2.2 LLL model

Illustrations of the LLL model intend to show that current IB models are not applicable to emerging economies. Mathews (2002) labels MNEs from emerging economies as latecomer MNEs. He develops framework to explain how MNEs from dragon countries (Singapore, Hong Kong, Taiwan, and Korea) develop catch-up strategies to compete with Western giants. The OLI model is regarded insufficient to explain current internationalization. Thus, the LLL model is developed as a complementary to the OLI model. The LLL model is based on a resource-based view and challenges that the OLI model is incapable of explaining of these latecomers since they are unlikely to possess ownership advantages like those Western giants. LLL model focuses on how to acquire advantages externally to

compensate the lack of ownership advantages (Yiu, 2011). This differs from the OLI model as it emphasises firm's own advantages of internationalization.

Three main reasons are considered to lead to the introduction of the LLL model. Firstly, MNEs from emerging markets are latecomers and are lack of competitive advantages in global market. Secondly, developed countries' MNEs are established in a relatively stable business environment with lower level of government interference. In comparison, governments of emerging markets take more or even full control of their MNEs. Thirdly, complex institutional environment brings different characteristics to their MNEs. LLL model offers a new perspective of understanding internationalization of these MNEs. Despite the above difference, the OLI and LLL model are actually complementary rather than competing (Mathews, 2006). Yiu (2011) further suggests the necessity to explore different types of emerging economies' firms since Mathews mainly focuses on dragon MNEs. In addition, Mathew (2006) highlights the difficulties of learning faced by firms due to high psychic (institutional) distances. In the context of emerging economies, the relationship between learning and institutional distances remains an interesting topic for future research.

As suggested by many IE scholars (e.g. McDougall-Covin et al., 2014; Kiss et al., 2012), different types of firms and business contexts may lead to different types of internationalization, it is necessary to revisit conventional theories or even develop new theories fitting in emerging economies' firms. This is also a main research aim of this thesis. The next section reviews the development of internationalization theories.

2.1.3 Identifying research gaps from the development of internationalization theories

In general, three research gaps are identified based on the review so far: the role of decision maker in internationalization, a model based around emerging markets and why entrepreneurs make international exit decisions. In response, this research considers entrepreneur to be key active agents that affect the decision-making through their cognition, emotions and learning. Therefore, this research examines

the decision-making on internationalization in the context of Taiwanese entrepreneurs invested in China.

The three research gaps are developed on reviewing the OLI model, Uppsala model, IE and LLL model. Firstly, ***the role of decision maker in internationalization is an under-researched area.*** IE emphasizes the role of entrepreneurs and suggests their motivation and resources can contribute to the speed and mode of internationalization. More research are thus called explore on entrepreneurs' cognition, motivation, and goals in internationalization (McDougall-Covin et al., 2014). This implies a need to shift research focus from rational to bounded rational or even non-rational perspectives. A rational perspective, although it is simple and logical to indicate the best route of internationalization, is built on the (unfounded) presumption that every decision maker is rational. To provide a more real-life image of internationalization, researchers should embrace the fact of individual subjectivity and explore how these constraints and biases influence the decision-making on internationalization.

The term *commitment* is used to describe internationalization instead of investment in Uppsala model because internationalization is more than a financial investment (Johanson and Vahle, 2009). It is rather an action with promise and obligation, and is emotional attached to the entrepreneur. However, most scholars consider internationalization to be an investment and mainly examined from economic and strategic perspectives. There is a shortage of internationalization studies regarding how entrepreneurs emotionally attached to their foreign ventures. Cardon et al. (2012) indicate the impact of entrepreneurial emotions on opportunity recognition, venture creation and venture termination. Entrepreneurs may be driven by their emotions instead of economic variables to establish foreign ventures. Moreover, empirical evidence from Neuroscience (Damasio, 1994) and Psychology (Goldie, 2000) present a complex nature of decision-making that there is no rational decision and each decision is accompanied by cognitive biases and emotions. Although rational decision-making has dominated the internationalization literature, I disagree with the assumption that decision-making process is rational and consciously analytic. This thesis views entrepreneurs as key active agents that affect the decision-making

through their cognition, emotions and learning: the first research gap to which I draw attention.

A second research gap is *an absence of models based around emerging markets*. Mathews (2006)'s LLL model indicates the difference of Western and emerging economies' MNEs in terms of the motives, methods and background of internationalization. Peng and Yuan (2008) further indicate the institutional distances lead to different strategies, thus conventional internationalization theories fail to explain the unique environment of emerging economies. From this viewpoint, scholars test existing theories with empirical data from emerging countries. Peng et al. (2008b) highlight the strong impact of government on foreign operation and foreign venture survival. For example, political connection has been view as an important resource in emerging markets that is not found in developed countries (Xu and Meyer, 2012). These studies imply the necessity to review the current internationalization theories, which may not fully explain or inapplicable to the situation in emerging economies. In response to this call, this research thus looks at Taiwanese entrepreneurs invested in China.

How do companies operate in foreign markets? This question has been considered to be the centre of International Business (IB) studies for four decades. However, most studies focus on pre-internationalization instead of post-entry development (Benito, 2005). Therefore, the question of *why entrepreneurs change their mind after internationalization and withdraw their commitments* is under-researched and thus it is the third gap in current research I highlight. This thesis examines firm's post-entry development and why entrepreneurs make international exit decisions. Next section gives an overview of international exit and defines it from different perspectives.

2.2 Internationalization and International Exit

Foreign investment, especially foreign direct investment (FDI) indicates a long-term commitment to foreign operation. International entry refers to careful evaluation, resources commitment and a goal to achieve better organizational performance. Therefore, why are foreign organizations still divested or shut down?

International exit is quite different from international entry. Although they are both dramatic and significant decisions for firms, they are different in essence in several ways. Firstly, international entry is behaviour of expansion, which is supported by internationalization advantages. In contrast, international exit is to reduce or to get rid of existing commitments (Gilmour, 1973). Shepherd (2009) suggests venture creation has been seen as a success, expansion and excitement event for entrepreneurs while venture closure has been seen as an admission of failure, retreat, incapable, and grief events. Therefore, emotionally making an international entry decision is easier than making an exit decision. Secondly, exit barriers (e.g. economic/ structural/ managerial factors) are different from entry barriers (e.g. liability of foreignness/newness) (Porter, 1980). Exit is then quite different from playing the film of entry backwards.

Thirdly investment decision, divestment decision is more centralized in decision-making and has fewer of decision rationality comparing to investment decisions (Gilmour, 1973). Divestment is more a personal choice of a decision maker than a rational decision of that organization: *"The fact that the analyses were personal rather than organizational and in the nature of crisis reactions rather than change anticipations, means that they cannot be interpreted as being outcomes of strategic analysis in the sense intended in the model"* [Gilmour 1973:26]. Benito and Welch (1997) indicate the change of management team can lead to strategic renewal and relocation. Exit decisions are usually associated with poor performance and/or strategic changes; therefore, new management team may have new goals that result in international exit. This implies the role of individual interpretation and goals in making exit decision, indicating a lack of relevant knowledge. This would be further explored in section 3.1.2.

In summary, international entry and international exit are two distinct behaviours due to their nature (Gilmour, 1973), different barriers (Porter, 1980) and the role of decision maker (Gilmour, 1973). To give an in-depth understanding of international exit and the role of individual in making exit decisions, next section defines international exit from International Business (IB) perspectives and Entrepreneurship perspectives.

2.2.1 Defining International exit

This section defines international exit from International Business (IB) and Entrepreneurship perspectives, suggesting the authority of entrepreneurs in decision-making should be acknowledged. International exit is often associated with significant financial losses and/or dramatic strategic changes: outcomes that most firms seek to avoid. International exit is usually a difficult and painful decision an organization has to make, and it occurs “*when a firm loses one of the ownership, location or internalization advantages*” (Dunning 1988: 22). Scholars in the IB field use different terms to describe this situation, such as de-internationalization, relocation, divestment, divestiture, business closure, or exit. These terms can be broadly categorised into two types: decreasing commitment (e.g. divestment and divestiture) and shut down (e.g. de-internationalization, relocation, closure of foreign units, international/ market exit) (see Table 2-1).

	Terms	Studies
Shut down	Relocation	Pennings and Sleuwaegen (2000); Belderbos and Zou (2006); Fisch and Zschoche (2011)
	Closure of foreign units	Mata and Portugal (2000); Fisch and Zschoche (2011),
	International/ market Exit	Jackson et al. (2005); Coucke and Sleuwaegen (2008); Sleuwaegen and Onkelinx (2014); Welch and Wiedersheim-Paul (1980)
	De-internationalization	Benito and Welch (1997)
Decrease commitment	Divestment	Boddewyn (1979; 1983), Duhaime and Grant (1984), Li and Guisinger (1991), Belderbos and Zou (2006), Nenito and Welch (1997)
	Divestiture	Mata and Portugal (2000)

Table 2-1: Two types of de-internationalization, source: author

In general, IB scholars view international exit as “*the organizational response to deteriorated environment such as economic conditions (Box, 2008), institutions (Dhanaraj and Beamish, 2009), industrial competition (Shaver et al., 1997), and rising cost*” (Fisch and Zschoche, 2012). In comparison, Entrepreneurship scholars define exit as “*the process by which the founders of privately held firms leave the firm they helped to create; thereby removing themselves, in varying degree, from the primary ownership and decision-making structure of the firm*” (Detienne, 2010: 203).

That is, IB scholars use their organization as the unit of analysis (Benito, 2005) while Entrepreneurship scholars acknowledge individual volition and decision-making autonomy thus use entrepreneur as their unit of analysis (Wennberg and DeTienne, 2014). The following sections review different definitions of international exit in these two scholarly fields.

2.2.1.1 International Business perspective on international exit

This section argues international exit should not be viewed as an organizational response as suggested by IB scholars. Entrepreneurs should be the key active agents in decision-making and unit of analysis. Benito and Welch (1997) use the term de-internationalization to discuss phenomena including divestments, pulling-out of a market, downsizing foreign operation, switching from high to low commitment level, relocating and shutting down foreign ventures. Although de-internationalization discusses similar phenomena like this research, this research use the term international exit instead of de-internationalization for following reasons. Firstly, de-internationalization is a broad term including a variety of activities listed above. However, my research only focuses on the most radical organizational change, international exit. Secondly, this research examines the exit behaviour instead of firms' overall internationalization strategy. The main focus of this research is why "entrepreneurs" make this decision and what is the outcome on "entrepreneurs", but de-internationalization literature mainly targets at why "headquarters" make this decision and what is the impact on headquarters, firm's strategic management and the degree of internationalization. Therefore, the term "international exit" is more appropriate than de-internationalization in this research.

The evolution of theory

Jean Boddewyn (1976; 1979; 1983) was the early contributor of Foreign Divestment (FD) studies; his studies mainly focus on developed countries MNEs, especially on USA MNEs. He indicates the rising trend of foreign divestment and examines this trend from home country perspective (e.g. Boddewyn, 1979), host country perspective (e.g. Boddewyn, 1976), and the insight of FD (e.g. Boddewyn, 1983). Boddewyn suggest two types of FD: voluntary and involuntary. Voluntary FD is the

deliberate liquidation or sale of part of or all foreign ventures. It is mainly driven by market mechanism. In comparison, other forces such as government interruption usually drive involuntary FD. The FD is irrelevant to firms' performance or strategic choice, examples such as nationalizations and expropriations (Boddewyn and Torneden, 1973).

Most studies focus on voluntary FD rather than involuntary FD due to the fact that voluntary FD is more common than involuntary one. This also reflects that most of FD studies target on MNEs in developed countries, where the level of institutional uncertainty and government interruption are much lower than emerging countries. Today, more investors are interested in some emerging economies for their economic growth and great markets. Firms are investing in emerging markets where there is a much higher level of government power and institutional void and uncertainty (Dhanaraj and Beamish, 2009). As a result, involuntary FD may increase and FD in emerging markets is required for more systemic investigation for the lack of comprehensive understanding of the role of institutional in FD (Belderbos and Zou, 2006).

In general, the FD literature mainly targets on the divestment of a business, product lines, assets, and divisions instead of the exit from an entire international market. As suggested by Haynes et al. (2003), the major purpose of FD is to achieve firm's optimal level of diversification, and international exit is just one method to achieve this goal. In comparison, Benito and Welch (1997) focus on de-internationalization activities and summarise three types of causes: economic reasons, strategic management, and internationalization management. This study adopts Chow and Hamilton (1993)'s corporate divestment study and target on why large MNEs de-internationalize. Current FD literature does not explicitly distinguish FD from other divestment. The de-internationalization literature emphasizes the difference of home and host country and explains why firms choose to de-internationalize from varied perspectives. This stream of literature suggests de-internationalize could be strategic change or internationalization management instead of economic reasons as suggested by FD literature.

Benito and Welch (1997) suggest two types of de-internationalization: partial and full de-internationalization. Partial de-internationalization refers to partially withdraw from internationalization while full de-internationalization means terminate all foreign operation. Recently, Benito et al. (2009) connect de-internationalization with changing foreign operation modes, presenting foreign operation “*evolve in response to foreign market involvement and developments over time, displaying the characteristics of evolutionary dynamics*” (Benito et al., 2009: 1464). From this point of view, international exit is part of natural evolution process.

Therefore, the enablers of international exit have been shifted from a failure resulted from inadequate judgements and poor performance to natural evolution in internationalization. However, both FD and de-internationalization literature are based on the data from large Western MNEs. Turcan (2006) argues that the de-internationalisation process and variables of large MNEs are different from SMEs by indicating three constructs: commitment of entrepreneurs, change in networks and time. His research indicates the influence of entrepreneurs’ cognitive and psychological state on making de-internationalization decisions. The actions, belief, and attitude of entrepreneurs should be taken into consideration to have a more realistic view of decision-making.

In summary, IB scholars examine international exit from organizational level, viewing it as an organizational responses to poor performance (failure perspective) or a natural strategic move (strategic management). Next section discusses these two perspectives in detail.

Failure or strategic move

As illustrated above, researchers presume that financial problems are the main reasons for international exit (Boddewyn, 1983). From this traditional economics perspective, international exit is the consequence of poor organizational performance resulted from operative consequence of changes in transaction, production costs and sales revenue. This view suggests international exit is a failure associated with previous bad judgments, inappropriate strategies, and current incapability to solve problems or an inferior future (Boddewyn, 1983; DeTienne et al., 2008). Aharoni

(1966) suggests decision maker’s predictive capability is small and their knowledge is limited in making foreign investment decisions, thus they are in fact likely to make poor pre-investment analysis and form inadequate international entry strategies that resulted in poor performance and business failure. However, most international exit studies still adopted rational perspective and economic evaluation. A behavioural approach is more needed to understand how international exit decisions are made (McDermott, 2010).

In addition to the “failure” perspective, the other group of scholars consider international exit to be a strategic move regardless firm’s success or failure; it is a belief that this change can somehow improve organizational performance (De Rond and Thietart, 2007; DeTienne and Cardon, 2012). Therefore, it is possible for firms to divest a “strategically unfit” but profitable ventures (Duhaime and Grant, 1984). In this case, international exit enables efficiency improvement (Fisch and Zschoche, 2012) and the pursuit of different strategic goals (Isobe et al., 2000). From strategic management perspectives, subsidiaries are born, grow and die. That is, foreign subsidiaries are born with certain missions, and they will be closed whenever their missions completed. Using Vernon’s (1966) life-cycle theory to explain international exit, Benito and Welch (1997) suggests, international exit is the last step for a declining industries, it is the natural route in end game situation. International exit is anticipated but not a shock, and it is not necessary de-internationalization but part of internationalization process (McDermott, 2010).

Perspective	Studies	Reasons of International exit	Research Gaps
Failure	Boddewyn (1983); Li and Guisinger (1991); Welch and Wiedersheim-Paul, (1980) Jackson et al. (2005); Coucke and Sleuwaegen (2008)	Previous bad judgments, inappropriate strategies, current incapability to solve problems or an inferior future due to limited rationality	A more behavioural research
Strategic move	McDermott (2010); Fisch and Zschoche (2012); Tsang and Yip (2007), Isobe et al. (2000)	A strategic move, to pursue different goals and efficiency improvement	SMEs research and individual level analysis

Table 2-2: Comparison of failure and strategic choice perspective, Source: author

The strategic management perspective is widely accepted by recent scholars examining the FD of large MNE (e.g. Benito and Welch, 1997; Isobe et al., 2000; Belderbos and Zou, 2006). However, there has been a lack of studies offering comprehensive understanding of international exit of SMEs (Turcan, 2006). For large MNE with rich resources, international exit may result in poor performance in annual reports, but for SMEs, it could be a life-and-death issue. SMEs entrepreneurs should have different belief, attitude, and psychological state in making exit decisions. Table 2-2 compares the failure and strategic move perspectives.

The focus of international exit research should shift from rational and economic perspective to more behavioural and non-economic perspectives; to connect with the real world decision-making by embracing the fact that individual is subjective. In line with this view, Staw (1981) argues entrepreneurs may persist in an underperforming venture for self-esteem, future prediction, or other personal reasons. Conversely, they may divest a profitable and strategic fit firm for unmet personal goals (Headd, 2003). These two non-rational actions cannot be explained from organizational perspective alone but make sense on considering entrepreneurs' role. This implies the centrality of entrepreneurs in making international exit decisions, the key argument of this thesis.

To reveal the role of entrepreneur in decision-making, the next section defines international exit from Entrepreneurship perspective.

2.2.1.2 Entrepreneurship perspective on international exit

Although foreign divestment (FD) and de-internationalization literature examine international exit from rational perspective, these studies do acknowledge the role of entrepreneur/ management team in decision-making. Boddewyn (1983) emphasised the role of individual in international exit decision that *“the foreign investment decision process, then, does not begin with a well-defined problem, and it does not proceed through full searches and rational analyses to a final decision. Instead, a number of physical (lack of time), economic, and organizational constraints restrict the number of alternatives considered and explored; the final decision is further affected by the participants' personality, power, subjective expectations, and decision*

precedents” (Boddewyn, 1983:25). Duhaime and Schwenk (1985) agree with this concept and further explore how decision maker’s cognitive process influences their divestment decision. More recently, Benito and Welch (1997) suggest the change of management team can also lead to international exit since each decision makers have their own goals and interpretation of organizational performance. Although International Business (IB) researchers highlight the role of individuals in international exit decision, they do not examine individual’s impact on decision-making.

In response to this call, this section explores international exit on Entrepreneurship perspective that view entrepreneurs as active agents in decision-making. Existing research analysing entrepreneurial exit is targeted the exit of individual (Sullivan et al., 1997; Bates, 2005; Hessels et al., 2011) or the exit of the venture from the Market (Gimeno, 1997; Headd, 2003; Detienne and Chiroco, 2014). IB researchers tend to focus on the exit of the organization and largely overlook the impact of the key decision maker- entrepreneurs (Wennberg and DeTienne, 2014). In comparison, Entrepreneurship researchers tend to focus on either exit of self-employed individuals or exit of firms by applying psychological and sociological theories to explore the critical and dynamic component of the entrepreneurial process.

DeTienne (2010) explores the intersection of these two levels of analyses and develops a theoretical framework to bridge entrepreneurs’ exit intentions with their exit routes. She defines entrepreneurial exit as “*the process by which the founders of privately held firms leave the firm they helped to create; thereby removing themselves, in varying degree, from the primary ownership and decision-making structure of the firm*” (203). The focus of her entrepreneurial exit research is entrepreneurs’ decision to exit the firm such as business succession and liquidation. The focus of this research is entrepreneurs’ decision to exit China using strategies such as business sale and liquidation. Business succession is not an international exit strategy since entrepreneurs or their family still have control to the business.

Defining successful and unsuccessful venture

Most Entrepreneurship and IB studies view business closure as failure (Headd, 2003). However, Headd (2003) and Bates (2005) argue that one-third of entrepreneurs view their venture as a success at business closure. Ucbasaran et al. (2010) further indicates these entrepreneurs feel exited and satisfied about their business closure. This implies business closure and failure are two distinct ideas for entrepreneurs. Shepherd and Wiklund (2006) indicate firm failure is synonymous with firm exit while exit is not always a failure. Entrepreneurs may close a venture for shift of personal goals (DeTienne and Cardon, 2012), retirement plan (Headd, 2003) or alternative employment opportunities (Detienne, 2010). This view is consistent with IB literature that the shift of organizational goals (strategic changes) may result in international exit.

In Entrepreneurship, business closure can be the outcome of poor financial performance and/or unreached subjective assessment. Discussions of the causes of poor performance can be found in Shepherd and Wiklund (2006) and section 2.3. Subjective assessment refers to entrepreneurs' subjective interpretation of organizational performance. Using Gimeno's (1997) threshold theory to explain, each entrepreneurs has idiosyncratic threshold of performance building on their human capital (Gimeno et al., 1997), personal goals (McGrath, 1999), intentions (Detienne and Cardon, 2012) and family interests (Detienne and Chirico, 2013). The threshold of performance is the minimum performance level that entrepreneurs are willing to accept. This explains why given the same level of performance, some entrepreneurs may shut down a venture while others do not. Section 3.1 provides an in-depth review of threshold theory and variables affecting it.

In summary, IB researchers defines international exit as an organizational responses to poor performance or strategic change. Entrepreneurship researchers view exit as an entrepreneurs' response to a failure or subjective interpretation of organizational performance. This emerging threshold theory (Gimeno et al., 1997) provides an alternative explanation to international exit by viewing entrepreneurs as a

heterogeneity group in decision-making. My research is consistent with this argument and aims to extend the view by exploring individual variables. My definition of international exit is presented in the next section.

2.2.1.3 My definition of international exit

To define international exit, I synthesise the definition of exit literature from IB field (Benito and Welch, 1999) and Entrepreneurship field (DeTienne et al., 2008).

“International exit is entrepreneurs’ response to poor organizational performance, strategic change and/or unmet personal expectations. It is the process by which entrepreneurs of privately held firms discontinue the operation of their foreign ventures (in China) and completely exit the host country (China)”.

This research targets the exit of foreign ventures instead of the exit of entrepreneurs. In this research, international exit means Taiwanese ventures completely exit China. All branches, subsidiaries and business units in China relevant to this venture should be discontinued. The venture should completely exit China. Entrepreneurs may have other investments in China as long as they are independent from the exit venture. This thesis highlights the decision-making authority of entrepreneurs thus focuses on the last cause of international exit: *unmet personal expectation*. Section 3.1 presents entrepreneurs’ subjective assessment of performance and section 3.2 examines the impact of emotions on international exit decisions. The next section reviews international exit research using geographical scope.

2.2.2 International exit: Developed and developing countries

Echoing section 2.1.3, this section indicates the shortage of emerging economies research and the role of institutions in current international exit studies.

Table 2-3 shows 3 major types of international exit studies: studies based on USA, other developed countries and emerging/newly industrialised studies.

Country	Studies	Firm size	Finding
USA (Home/host country)	Boddewyn and Torneden (1973), Boddewyn (1979; 1983; 1985) Duhaime and Grant (1984), Li and Guisinger (1991) Mitchell et al. (1994; 1997), Li (1995), Shaver (1998), Shaver and Flyer (2000)	Mainly large MNEs Fortune 500 companies	National, industrial and organizational variables Viewed international exit as a failure Implementation process of international exit Comparison with domestic divestment
Other developed countries (Home/host country)	Norway (Benito, 1997) Japan (Delios and Beamish, 2001; Belderbos and Zhou, 2006; Dhanaraj and Beamish, 2009; Kim, Lu and Rhee, 2011) UK (Padmanabhan, 1993) Greece (Fotopoulos and Louri, 2000) Portugal (Mata and Portugal, 2000; 2002) Belgium (Sapienza et al., 2005; Coucke and Sleuwaegen, 2008) Singapore (Tsang and Yip, 2007) Germany (Swoboda, Olejnik and Morschett, 2011; Fisch and Zschoche, 2011).	Mainly large MNEs INV (recently)	Environmental and organizational variables. Viewed international exit as a failure or strategic changes. Identify the role of institutional distances Impacts of international exit (subsidiary) on headquarters and shareholders
Emerging/newly industrialised countries (Home/host country)	Hungary (Steensma and Lyles, 2000), Bulgaria (Manolova et al., 2010) Hong Kong (Child et al., 2003) China (Isobe et al., 2000) Taiwan (Cheng and Wu, 1996)	Mainly large MNEs INVs (Manolova et al., 2010)	Environmental and organizational variables, highlighting the role of institutional distances

Table 2-3: Comparison of USA, other developed countries and developing countries studies, source: author

Boddewyn (1983) indicates that institutional force is one of the major differences in Foreign Divestment (FD) between developed and developing country. Peng et al. (2008) argues the internationalization theory should be adjusted by the context of internationalization. In line with this view, Mathews (2006)'s LLL model indicates that MNEs from emerging markets have different approaches and motivations of internationalization. Accordingly, the unique institutional environment of the host and home country is expected to have an impact on international exit decisions.

2.2.2.1 USA

Early contributors of international exit studies mainly target large MNEs in USA. Boddewyn and Torneden (1973) publish an empirical study focusing on FD in USA during 1967-1971. They target Fortune 500 companies and the FD of their

subsidiaries. Duhaime and Grant (1984) survey USA based company from Fortune 500 companies listed during 1975-1980 to uncover the factors that lead to FD. In the later stage, Li and Guisinger (1991) explore foreign firms in USA during 1978-1988 and indicate that foreign firms fail less often than local firms due to their unique ownership advantages. These early FD studies focus on the USA or USA-based firms because of the prosperous USA economy in late 20 centuries, indicating foreign ventures with unique ownership advantages enjoy higher survival rate in the USA compare with other countries.

These USA based studies focus on country, industry and firm level variables resulting in FD. Boddewyn (1983) concludes seven causes of FD: financial considerations, poor pre-investment analysis, adverse environmental conditions, lack of fit and resources, structural and organizational factors, external initiating pressure, and cultural difference. Although Boddewyn provides an overview of FD, his model is based on Fortune 500 firms, which are mostly USA based firms. Boddewyn's finding is not a generalizable truth for all countries since the USA market is relatively stable and provides an open environment for foreign entrepreneurs. In addition, he views FD as a failure thus only examines variables resulting in poor financial performance. The strategic management perspective is under-researched in USA based research.

2.2.2.2 Other Developed Countries

Another group of scholars examine FD of MNEs from other developed countries including Norway, Japan, UK, Greece, Portugal, Belgium, Singapore, and Germany (see

Table 2-3). A great deal of research focuses on large MNEs, examining variables resulting in international exit and the impact of international exit on headquarters. Comparing with USA based research, variables have been examined from different perspectives; units of analysis range from regions and countries, via industries, to organizations, and even individuals. In general, these studies apply economic and strategic perspectives to explain international exit. But these studies are more fragmented, inconsistent and lack of comprehensive overview due to different

context of country, culture and institutions. The role of institutional distances is identified but lack systemic research (e.g. Belderbos and Zou, 2006; Tsang and Yip, 2007). So, my argument includes this point and now goes on to argue the role of institutions in my research context: emerging economies.

2.2.2.3 Emerging/ Newly Industrialized Countries

This section reviews the role of institutions, particularly informal institutions, in research focusing on emerging and newly industrialised countries. Emerging and newly industrialised economies are assuming an increasingly important role in the global economy. Xu and Meyer (2012) indicate that the contexts of emerging economies are different from developed economies including less efficient market, government interruption, network/guanxi-based behaviours, and higher risks and uncertainty due to political and institutional reasons. These facts imply that existing theories building on developed economies are insufficient to explain emerging economies.

Moreover, although rational perspective is debatable, most of international exit studies are based on the assumption that every decision maker is rational. In emerging economies, Xu and Meyer (2012) argue rational perspective is less appropriate to examine the decision-making in internationalization due to cultural differences and institutional voids and uncertainty. Ji and Dimitratos (2013) further examine how Confucian dynamism diverge the decision-making of East Asian entrepreneurs from rational optimism. Meanwhile, entrepreneurs are lack of information and usually make decisions under uncertainty due to thin formal institutions. This greatly reduces the degree of rationality. These special phenomena highlight a need to find a more appropriate approach to address the decision-making of international exit.

Child et al. (2003) investigate 615 Hong Kong firms in China. Instead of focusing on organizational factors, they explore the “fit” between environmental contingencies and internal organization and indicate that international exit is in fact a natural selection process. Manolova et al. (2010) explore the survival of INVs rather than established MNEs in Bulgaria. They indicate personal and inter-firm networks can

facilitate the speed of internationalization in transition economy, and increase the survival rate of these INVs. Zhou (2013) supports with this view and suggests that political connection is a shortcut to success for entrepreneurs invested in China. Personal network and political connection have a greater impact on business operation in thin formal institutions. Peng et al. (2009) state that “*where formal constraints are unclear or fail, informal constraints will play a larger role in reducing uncertainty, providing guidance, and conferring legitimacy and rewards to managers and firms (198)*”. In emerging economies, network-based strategy is predominant in establishing the informal relationship (Wright et al., 2005).

Although more IB scholars have acknowledged the importance of studying emerging economies, there has been a lack of systemic and up-to-date research offering a comprehensive understanding of exit in emerging economies (Peng and Yuan, 2008). The role of institutions such as the institutional distances between host and home country, the institutional-specific strategies and resources and the thin formal institutions are expected to have an impact on strategic decision-making. Having argued the role of institutions in emerging economies, the next section summarises current research gaps.

2.2.2.4 Summary of Three Types of Studies

A series of USA FD studies are conducted examining large MNEs from financial perspective, suggesting FD is a failure resulted by inappropriate decisions, poor performance or deteriorated environment (Boddewyn, 1983). Benito and Welch (1997) present studies of de-internationalization explaining the international exit of other developed country MNEs. They extend USA based model and argue international exit could be a failure, strategic changes, or internationalization management. However, similar to USA based studies, de-internationalization research focuses on large MNEs and use firm as the unit of analysis.

Studies of emerging and newly industrialised economies are scarce and lack of systemic investigation. These studies focus on institutions of emerging economies and explore how these firms compete with Western MNEs with their unique

approaches and resources (e.g. network, political connection, and learning by OEM). To uncover the uniqueness of emerging markets, scholars should develop emerging economies assumption theories with reference and comparison of Western mainstream theories rather than simply apply conventional ones (Peng and Yuan, 2008).

Conventional theories (e.g. Boddewyn, 1983) based on developed countries MNEs cannot provide comprehensive understanding to those in emerging countries. As indicated in

Table 2-3, most studies of international exit are based on data in USA or other developed countries. Belderbos and Zou (2006) indicate the lack of emerging market studies not only exists in early internationalization but also in international exit studies. Moreover, most studies focus on large and established MNEs instead of other types of ventures. Our current understanding of other types of ventures (e.g. INVs and SMEs) and their decision-making in international exit has been limited (Mudambi and Zahra, 2007; Gabrielsson and Gabrielsson, 2013).

In summary, this section identifies three research gaps. Firstly, there is a shortage of emerging market research in international exit focusing on institutions. Secondly, there is a shortage of smaller firm's research in international exit. Together with research gaps identified in section 2.1.3: *The role of entrepreneur in decision-making of international exit*, this main research question of this thesis is below:

Why do Taiwanese entrepreneurs who have invested in China exit?

This thesis uses an individual and emotional perspective to explore international exit decisions, and selects five Taiwanese entrepreneurs of privately held SMEs exiting China for data collection (see section 4.3.2).

2.3 International Exit: International Business perspective

This section reviews international exit literature in IB field, suggesting international exit is a rational optimal decision building on the belief that it improves company's strategic, organizational and financial performance (Benito and Welch, 1997; McDermott, 2010). My research argues international exit is the outcome of

entrepreneurs' subjective assessment of performance. Before examining individual variables affecting the subjective assessment, it is important to understand what variables affecting organizational performance. Therefore, all variables discussed in this section are economic variables since they change (future) organizational performance and this economic outcome may result in international exit. A review of environmental and organizational variables is presented in Appendix A. The next section presents environmental variables resulting in international exit.

2.3.1 Environmental Variables

Environment, including national economic and industrial condition, is the source of threats or opportunities affecting international exit decisions (Boddewyn, 1983). A basic assumption in these studies is that international exit is the organizational response to deteriorated environment such as economic conditions and rising costs (Box, 2008; Fisch and Zschoche, 2012), institutions (Dhanaraj and Beamish, 2009) and industrial competition (Shaver et al., 1997). These variables may result in poor organizational performance, which then likely lead to international exit (Benito, 2005).

2.3.1.1 Economic conditions and rising costs

In general, macroeconomic expansion is positive to firms' survival while economic downturn is negative (Box, 2008), and it is a long-term rather than immediate effect on exit rate (Geroski et al., 2010). Labour costs are another significant indicator of international exit, particularly for manufacturing industry. Fisch and Zschoche (2012) examine Germany MNEs and claim that firms shift production to locations with opposite labour cost development. Moreover, the economic gap between home and host country influence firm's survival rate as well. Tsang and Yip (2007) examine the subsidiaries of Singaporean firms and discover subsidiaries enjoy higher survival rate in less developed host countries. The greater the economic distances leads to better survival rate.

Geroski et al. (2010) indicate firms that internationalize for low labour cost will need to constantly relocate their production to country with lower cost. International exit is

an inevitable choice and a mean of survival. Appendix A presents studies regarding economic condition and rising costs. In general, studies of developed and emerging economies indicate that deteriorated economic conditions and rising costs increase international exit rate (Geroski et al., 2010). The next section discusses institutions, which is the highlight of this section.

2.3.1.2 Institutions

Echoing section 2.2.2, this section views that institutions are impactful for international exit studies in emerging economies. Emerging economies such as China, India, Brazil and Russia are attractive FDI destinations for firms due to the low production cost and potential markets. However, institutional voids and uncertainty in emerging economies are major reasons for international exit (Chung and Beamish, 2005). The investment environment is changing, and it is even more rapid in emerging economies. Peng et al. (2008a) indicate that although institutional voids and uncertainty received little attention in conventional studies focusing on developed country; it is a common and powerful factor in developing countries.

North (1990)	Examples	Scott (1995)
Formal institutions	Laws	Regulative pillars
	Regulations	
	Rules	
Informal institutions	Ethics	Cognitive pillars
	Culture	
	Norms	Normative pillars

Table 2-4: Definitions of institutions, source Peng et al. (2009)

Table 2-4 presents the definition of institutions using Scott (1995) and North (1990). Scott (1995) introduced the three-pillar conception of institutions: regulative, normative and cognitive. The regulative dimension includes: laws, regulations and government policies. The regulative dimension is vital for foreign ventures since it provide guidelines for operation. Regulative pillar is usually accompanied by written

documents, regulations with clear definitions and descriptions, such as laws and rules, which help foreign ventures to enter and survive in the host country (Bruton et al., 2010). The cognitive pillar is more individual, which includes the tacit knowledge and skills that derived from the cognitive turn in social science. Bruton et al. (2010) comment this pillar that it is usually operates in individual culture and language. Normative pillar is the perception amongst the population of a country.

For example, on setting up a business, regulative pillar means formal institutions, referring to documents and regulations one needs to follow in venture creation. Normative and cognitive pillars are the informal institutions: the former refers to individual belief, value, and norms while the latter mean the habitus and tradition of the population. According to Bruton et al. (2010:423) “*institutions guide behaviour by defining what is appropriate or expected in various social and commercial situations*”. Institutions are the rules of the game for firms entering into a foreign country. In terms of formal institutions, Fischer and Reuber (2003) state that government incentives are positive to firm’s early stage of survival. In terms of informal institutions, Begley and Tan (2001) suggest entrepreneurs from different institutions are motivated by different reasons that are rooted in their culture. Their study shows that American entrepreneurs aim to be innovative and are more risk-taking since they try to “*stand out from the crowd*” (Begley and Tan, 2001:549). On the other hand, their study also suggest “*in shame-based East Asian cultures, people uphold community norms, draw signals on appropriate behaviour from groups and authorities, and seek to blend into the group*” (Begley and Tan, 2001:549). Therefore, entrepreneurs from different culture use different approaches to set up business. It is thus very possible that they would be motivated by different variables to shut down their ventures due to institutional distances.

The impact of radically changing and turbulent institutions in emerging economies has relatively under explored (Wright et al., 2005). Emerging economies become major foreign investment destinations in recent decades, and attract more attentions from scholars of IB studies (Peng et al., 2008a). The informal and formal constraints of an institution, regarded as “rules of the game” (North, 1990), are the main force in shaping the strategy of a foreign firm (Wright et al., 2005). An institution-based view

could be as important as, or even more important than, the resource based view (Barney, 2001) and industry based view (Porter, 1980) for foreign firms engaged in emerging economies (Chung and Beamish, 2005; Peng et al., 2008a; Xu and Meyer, 2012).

This section shows how institutions play a role in decision-making process. In addition to its impact on strategic direction and motivation, Mathews (2006) argues institutional distance impede the learning process in internationalization, thus may increase the exit rate. This concept is one of my core arguments and will be elucidated in section 2.3.2.2. The next section reviews industrial competition and international exit.

2.3.1.3 Industrial competition

Mitchell et al. (1994) indicate extremely high or low industrial competition and foreign presence are negative to new venture survival. Figueiredo and Silverman (2012) and Geroski et al. (2010) use longitudinal database to track the influence of competition level on the survival rate of new entrants. They observe a U-shaped relationship of exit rate and competition level that medium competition level provides the greatest survival chances for firms. Study industry life cycle is a major approach for strategic management literature to examine the international exit (e.g. Klepper, 2002; Lin and Huang, 2008; Suarez and Utterback, 1995). Harrigan (1985) proposes four strategies for company in a declined industry: to take the leading position, to take a niche market, to harvest and to divest quickly. From the product portfolio approach (Porter, 1986), international exit/divestment is to ensure the firm to refocus on core business that is in a promising industry. It is a strategic choice from a corporate governance perspective.

Marketing research challenges the life cycle theory by suggesting it is a metaphor rather than reality. Although Klepper (2002) indicates products in declining stage would exit and seek for another new market, firm can still use Innovation and Marketing to revitalise the product (Doyle, 1992). This implies international exit is affected not only by deteriorated external environment but also by inadequate organizational response. Scholars emphasize the “strategic fit” between

environmental contingencies and internal organisation (Child et al., 2003; Prange and Verdier, 2011) and the capability to efficiently response to fast-changing environment and to constantly capture opportunities. This capability is the dynamic capability to learn, to integrate, to build and to reconfigure internal and external competencies, and it helps firms efficiently respond to challenges in rapid changing environment and reduce organizational mortality rate (Prange and Verdier, 2011).

This section reviews environmental variables that may result in poor performance or strategic change and hence lead to international exit. Although environmental variables do play a role in international exit, the influence is passive and incremental in a long-term (Geroski et al., 2010). Firms' internal condition such as strategic actions, resources, capabilities and firm's characteristic have more immediate and direct impact on international exit, and this explains why some firms survive during economic recession while others do not. The next section moves to look at organizational variables.

2.3.2 Organizational Variables

Organizational resources have more immediate and direct influence on the foreign operation although external environment has impact on organizational survival (Geroski et al., 2010). This section explores organizational variables resulting in international exit including firm characteristics, resources, and entry strategies (Appendix A). The learning perspective is highlighted in reducing institutional distances.

2.3.2.1 Organizational characteristics and resources

Using a resource-based view, Bercovitz and Mitchell (2007) suggest that large and profitable firms are less likely to exit foreign market due to resource richness, economic scale and scope. Firms with rich resources are more flexible and capable of maintaining internationalization (Audia and Greve, 2006; Geroski et al., 2010); moreover, these firms are less sensitive to institutional changes and transaction costs misalignment (Audia and Greve, 2006).

From organizational learning perspective, Mitchell et al. (1994) and Li (1995) point out knowledge and experience can reduce international exit rate. Sapienza et al. (2006) suggest learning helps firms to cultivate the capability to effectively exploit internal resources to respond to environmental changes and explore potential opportunities. Experience, knowledge and learning are not only beneficial for international entry but also for survival. Interestingly, IB research uses the organization as the unit of learning although organization cannot really learn. Echoing Oviatt and McDougall (1994), this highlights the role individual in international decision-making, Section 3.1.1 examines individual (entrepreneurs') learning and how it affects decision-making.

Network has been considered to be a key resource to initiate and facilitate the speed of internationalization in Uppsala model, INV theories and LLL model. In international exit literature, scholars recognize the importance of network (Bruderl and Preisendorfer, 1998; Manolova et al., 2010; Sheng et al., 2011; Zhou, 2013). Compared with studies of developed countries, studies of developing countries emphasize the positive impact of networks. Zhou (2013) examines the business ties and political ties in China. These ties, which also called *Guanxi* in other studies, are positive to firm's performance and development since they can compensate the lack of resources in emerging economies (Sheng et al., 2011).

This statement is contradicted to Bruderl and Preisendorfe's (1998) finding; however, their data was based on a developed country (Germany) while Sheng et al.'s (2011) data was based on a developing country (China). Networks, especially political networks, are usually more influential in developing countries with thin formal institutions. Firms with strong political ties can enjoy more protection in terms of intellectual and other properties. However, the influence is diminishing over time when government gradually establish institutional system (Zhou, 2013). This explains why political ties are more effective in developing countries than in developed countries. Because informal institutions largely substitute thin formal institutions in emerging economies (Peng et al., 2008), it may argue that network become a critical resources to survive and operate in these economies.

2.3.2.2 Strategy and management issues

Inadequate strategy results in poor performance (Boddewyn, 1983), in this section, four variables resulting in inadequate strategies are summarised: entry time, entry mode, location choice and product strategies (see Appendix A). The role of learning in reducing *liability of foreignness* and personal goal in shaping strategy is highlighted.

Although being a first mover is a risky decision, first mover advantages allow firms to shape the market and establish reputation proving positive to organizational performance and survival (Isobe et al., 2000; Kronborg and Thomsen, 2009). Sapienza et al. (2006) indicates early entrants with entrepreneurial orientation are more likely to promote learning culture, enhancing firm's capability of fighting environmental challenges and hence gradually reduce mortality risk (Zaheer and Mosakowski, 1997). However, studies of both developing (e.g. Isobe et al., 2000) and developed country (e.g. Kronborg and Thomsen, 2009) claim that early entrant is positive to firm's survival only when this action is strategically important. There is no best entry strategy for firms. Instead, a good strategy is the "fit" between environmental contingencies and internal organization (Shaver, 1998). This implies that each strategic movement should be consistent with organizational goal and resources; otherwise it is an inappropriate strategy.

Nevertheless, organizational goals are not the only goals shaping strategic direction. Dunkelberg et al. (2013) argue, as the key active agent in decision-making, entrepreneurs and their goals also play a vital role in shaping strategies. Ocasio (1997) explains that options related to the entrepreneurs' goals could attract more attention than others. Entrepreneurs' goals reflect their beliefs, attitudes and value (Cyert and March, 1963a), and this personal goal is part of subjective assessment of organizational performance (DeTienne and Cardon, 2012) influencing decision-making. This argument implies organizational goals are not the only goals shaping international exit decisions. Section 3.1.2 presents how do entrepreneurs' goals affect decision-making in internationalization.

Liability of foreignness is a major difficulty in internationalization in Uppsala (1977) model. Zaheer (1995:342) defines liability of foreignness as “*the costs of doing business abroad that result in a competitive disadvantage for an MNE subunit*”. He indicates four types of costs: costs directly associated with the distance such as transportation, firm specific costs due to unfamiliar local environment, costs from the host country environment such as lack of legitimacy and costs from home country environment such as restricted FDI policy. From economic perspectives, firms choose to enter the market only when expected profit exceeds liability of foreignness. After entry, firms choose to exit the market if the liability of foreignness is greater than actual profit. In addition to financial costs, this research argues entrepreneurs’ emotional costs should also be included in liability of foreignness. Foreign entrepreneurs may generate additional emotional costs than local entrepreneurs due to the institutional distances. Entrepreneurs’ commitments and sacrifices should also be considered in making exit decisions (Kozan et al., 2012).

Zaheer and Mosakowski (1997) agree that *liability of foreignness* may lead to foreign exit, but its impact has been decreased overtime. *Liability of foreignness* can be overcome when firms have or have gained more international operating experience (Li, 1995; Shaver et al., 1994; Delios and Beamish, 2001; Kim et al., 2012). However, organizations cannot learn. It is entrepreneurs (or managers) who learn from international experience and use it to minimise *liability of foreignness*, and learning from experience is not an automatic and immediate action (Shepherd and Cardon, 2009). The heterogeneity in learners should be highlighted, and the role of individual learning in reducing *liability of foreignness (including emotional costs)* remains an interesting topic for this research. Further discussion of individual learning in internationalization is in section 3.1.1.

In summary, this section shows variables result in strategic changes and poor performance, suggesting two individual variables likely shaping strategic direction: personal goals and individual learning. The next section concludes section 2.3 and summarises current research gaps.

2.3.3 Summary of international exit literature in IB field

From the ‘failure perspective,’ international exit is a forced behaviour due to resource scarcity, inappropriate strategy or deteriorated environment, correcting a previously inadequate strategy and achieving better performance. From the strategic management perspective, Makino et al. (2007) points out that firms voluntarily exit when the goal is accomplished. Appendix A presents a variety of economic variables that are associated with international exit. It is agreeable by literature that deteriorated economic condition; rising costs, intense competition, and lack of resources are connected with international exit. Other variables such as institutions, liability of foreignness and strategic fit raise several issues for further discussion.

Firstly, the role of institutions is not explicitly identified in studies of developed country. Taken network/political ties/guanxi for example, network is considered as a shortcut to compensate the resource scarcity and its role is more significant in weak formal institutions in emerging economies, (Zhou, 2013). Peng et al. (2009) argue, in the country with thin formal institutions, informal institutions provide the guidance to managers and firms. Network is a crucial key to learn and follow the informal institutions. However, there is a shortage of relevant studies. *The role of informal institutions in emerging market and how entrepreneurs respond to it* need further research.

Secondly, liability of foreignness is a major obstacle for entrepreneurs to make entry decision as reviewed in the previous section. Much research on this variable focus on its negative impact on internationalization, however, studying the process to overcome liability of foreignness can provide a comprehensive understanding of the learning perspective in internationalization. This is a significant but under-researched variable in international exit literature (Sapienza et al., 2006). In addition, Shepherd (2009) argues entrepreneurs may not learn from every experience and Jenkins (2012) further indicate entrepreneurs’ elicited emotions affecting their learning. Huy (1999) also develops a dynamic change model suggesting emotions influence individuals’ learning and adaptation to changes.

In what circumstance that entrepreneurs are more likely to learn from their internationalization experience and overcome liability of foreignness remains an interesting topic. As indicated above, *Liability of foreignness* here includes the financial and entrepreneurs’ emotional costs. Section 3.1.1 discusses how entrepreneurs’ predispositions affect their learning while Section 3.2 shows how incident generated emotions shape entrepreneurs’ behaviour including learning.

Research gaps	Section 3.2	Section 3.3	Section 3.4
Emerging economies	Models based around emerging economies	The impact of Chinese institutions on internationalization	The role of informal institutions in emerging market and how entrepreneurs respond to it
Individual level analysis	The role of decision maker (entrepreneur)		Entrepreneurs’ goals in decision-making Entrepreneurs’ learning in internationalization
International exit	International exit research		Individual learning and liability of foreignness- in what circumstance that entrepreneurs are more likely to learn from their internationalization experience and overcome institutional distances, using a learning and emotional perspective

Table 2-5: Research gaps, Source: Author

Finally, mainstream literature indicates the “fit” between environmental contingencies and internal organization is a good strategy. That is, entrepreneur should make the exit decision only when it is consistent with external environment and organizational goals. Nevertheless, organizational goals are not the only goals shaping strategic direction; as discussed in the previous section, entrepreneurs and their goals also play a vital role in shaping strategies (Dunkelberg et al., 2013). Rajagopalan and Spreitzer (1997) indicate the lack of individual cognition research in strategic decisions. Much international exit research uses the rational perspective to examine this decision and underestimate the role of managerial behaviours, cognition and non-economic reasons of decision- making. Echoing this research gap, entrepreneurs’ goals in making exit decisions create a subjective threshold of performance to judge the organizational performance (Makino et al., 2007; Headd, 2003). Therefore, the entrepreneurs’ goal may be viewed as a non-economic variable

affecting international exit decisions. Together with the finding in pilot study in the next section, other non-economic variables such as entrepreneurs' family and predispositions should be examined.

In summary, coupled with the research gaps identified in previous sections, Table 2-5 presents the research gaps in International exit literature in International Business field.

2.4 Pilot Study

Three research gaps were identified from IB literature: the shortage of post-entry study, individual level analysis, and emerging market research. To fulfil these gaps, I review 136 articles on foreign business closure, foreign divestment/divestiture, de-internationalization and international exit (see Appendix A). Meanwhile, guided by the main research question: **Why do Taiwanese entrepreneurs who have invested in China exit**, a pilot study was conducted on two Taiwanese entrepreneurs who have exited China. The main objective of this pilot study is to understand the role of entrepreneurs in making international exit decision as indicated in Table 2-5.

A pilot case study allowed me to observe different phenomena from a variety of angles, to refine data collections plans and to develop relevant lines of research questions (Yin, 2009; Hatem, 2012). The criteria used in my pilot case were geographic proximity and case accessibility. As indicated by Shepherd (2009), exit is a negative and grief event for entrepreneurs. It is not easy to approach to entrepreneurs who experience this uncomfortable event and collect detailed information. I selected the entrepreneur of Firm B and Firm X (pilot participant), as they were willing to share experiences in China and talk about reasons for international exit. I collected the data using unstructured interviews. The openness of this approach allows potential issues to emerge (Kirk and Miller, 1986). Such issues can in turn feed into the development of the research questions (Yin, 2009). Each interview lasted between 150-180 minutes. The two entrepreneurs described the establishment of their venture and the internationalization in China.

Surprisingly, the theories normally explaining international exit in IB and strategic management literature proved inadequate to explain the empirical finding of my pilot study. Hence new theories were considered and discussed below.

2.4.1 Observations from pilot study

The pilot study demonstrated how entrepreneurs make decisions in internationalization. The fact that entrepreneur of Firm B shut down a profitable and strategically important venture challenges current IB literature. A research question emerged from this finding: why do entrepreneurs make a non-economic and non-rational decision? This new finding presents a good fit with the arguments of threshold theory in Entrepreneurship literature. Gimeno et al. (1997) indicate entrepreneurs have unique threshold of performance and Zellweger and Astrachan (2008) suggest the perceived value of the venture depends on both economic and non-economic variables. That is, entrepreneurs' non-economic variables could be the reason that entrepreneurs shut down a good performing and important venture. According to my pilot study, entrepreneurs' non-economic variables may include *the role of entrepreneurs' brother/children (family), personal goals and interests and the perception of China (predispositions)*.

The role of family

Entrepreneur of Firm X shut down his building materials company and exited China in 2000. The role of his family appeared when discussing the entry, expansion and exit strategy.

“My brother wants to do some business with his Chinese friends, so I gave him some technicians and set up Suzhou office to take orders” (Entrepreneur, Firm X).

This statement suggests he entered into China for his brother's requests and network. The entrepreneur inherited Firm X from his father. He is in charge of Taiwan headquarter and wants to set up a new venture for his brother. Thus, he offered funding and experts for his brother to pursue business opportunities in China. The idea of Chinese investment was generated by his brother's requests and network. This finding is consistent with family business literature that families expand the

resources available to access international opportunities, and these opportunities are usually closely related to family members' personal background, interests, and resources (Hatem, 2012). This finding indicates the need to integrate family business literature in examining entrepreneurs' decision-making in internationalization.

Personal goals

In addition to family, the entrepreneur's personal goals were mentioned in terms of speeding up the expansion.

“I want to achieve something big. I am the market leader in Taiwan market but I feel unsatisfied. My brother told me China is a good chance... Okay, I expanded to 4 provinces and opened more than 20 outlets in one year. I like to amaze people”
(Entrepreneur, Firm X).

Entrepreneur's ambition to be a market leader and the desire to prove himself resulted in a rapidly expansion strategy, which was proven wrong in later stage (according to entrepreneur's personal statements).

This finding is consistent with non-economic goals literature that those entrepreneurial goals affect resources allocation and strategic decisions (Dunkelberg et al., 2013). Moreover, Choo and Wong (2006) argue that entrepreneurs' non-monetary goals are more influential than monetary goals for Singaporean entrepreneurs. Thus, entrepreneurs' goal should be viewed as an individual variable affecting internationalization decisions.

Predispositions to host country

This finding highlights the importance of research context. The above two variables, personal goals and family, are discussed in Entrepreneurship literature but predisposition is my new finding in this thesis. The impact of institutions is more significant in emerging economies than in developed economies (Peng et al., 2008). Additionally, this research focuses on “international” exit, which highlights the impact of institutional distances between entrepreneurs (home country) and locals (host country). As indicated in research context (section 1.2), the formal and informal institutional distances between Taiwan and China is the major obstacle for

Taiwanese entrepreneurs invested in China. Thus, the influence of entrepreneurs' perception of host country was found in my pilot study.

A negative predisposition to Chinese Government was noticed in the interview. As the entrepreneur felt "threatened" by Chinese Government.

"I agree with my brother that Chinese Government is greedy. The policy changes, corruptions and tax officers destroy my company. They want our technology. Now they learn everything so they force us to leave. We have to exit otherwise the government will take everything" (Entrepreneur, Firm X)

This quote highlights two variables resulting in international exit: Chinese institutions and entrepreneurs' predispositions. The negative predispositions to Chinese Government increase the risk perception and mislead the conclusion that Chinese Government will shut down his venture. His predispositions are built on his learning from his and other people's (e.g. his brother) experience (Vygotsky, 1997), forming a particular attitude towards certain event. An individual learning perspective will be applied to examine this variable. It is evident that learning and adaptation can decrease liability of foreignness and increase survival rate (Sapienza et al., 2006). However my finding suggests the negative impact of individual learning (negative predispositions) on internationalization. The development and impact of individual predispositions to host country on internationalization decisions remain to be understood.

In addition to answer why entrepreneurs make decisions, how entrepreneurs make decisions remains an interesting question. Current international exit decision-making models only explain why organizations make exit decisions. In my pilot study, entrepreneurs kept referring to their emotions when discussing their decision-making in internationalization. It is agreeable that entrepreneurs make decisions according to their judgement of situation. In my findings, entrepreneurs' emotions seem to represent their subjective judgements of the situation (economic or non-economic variables). They respond to the situation according to their generated emotions. The impact of entrepreneurs' emotions on their behaviours has been highlighted in the pilot study.

Entrepreneurs' emotions

The entrepreneur of Firm B frequently mentioned his negative emotions including stress; disgust, anger, and fear during the interview and the entrepreneur of Firm X suggested, “*exiting China was an emotional event from which takes him several years to recover*”. They described their passion, excitement and confidence in international entry, their sadness, fear, anger and anxiety during internationalization and the grief, relief and fatigue arising from international exit. For example, the entrepreneur of Firm B decided to downsize his venture due to his fear of local institutional problems including the lack of intellectual property rights and cultural conflicts. Furthermore, he exited China for his disgust of the host country, including institutions and living environment (see section 5.1.2 for further discussion). This finding implies the linkage of emotions and decision-making in internationalization, thus I turn to entrepreneurial emotion literature for further investigation (Section 3.2).

My findings in pilot study highlight entrepreneurs' non-economic variables and their emotions in decision-making in internationalization. This finding challenges current international business literature, suggesting an individual and non-economic perspective is required to investigate international exit. The next section discusses the three research themes emerging from pilot study and the need to integrate other literature.

2.5 Emerging Themes from Pilot Study and Summary

Drawing on the findings of pilot study and the research gaps, this section proposes three research themes and subsidiary research questions. Table 2-6 compares the findings of my pilot study with current IB literature, showing current IB literature is inadequate to explain to my pilot study findings; thus, theories from Entrepreneurship field including threshold theory, personal goals, family business, entrepreneurial emotion and individual learning are integrated to provide a satisfied explanation to my data.

Themes from Pilot Study	What Element of Theme Is Explained by IB	What Pilot Case Has, but Is Not Explained by IB	Integrating Entrepreneurship field theory into IB
A: What causes international exit	Organizational and environmental variables Gap identified: the role of informal institutions on international exit	Individual variables including entrepreneurs' predispositions, family and personal goals	Subjective assessment and Threshold theory Section 3.1
A1: Entrepreneurs' predispositions of China	Does not mention. Gap identified: the role of individual learning in reducing liability of foreignness	Entrepreneur exits China for negative predispositions.	Individual learning Section 3.1.1
A2: Personal goals	Organizational goals and strategic fit, Gap identified: the role of personal goals in decision- making	Entrepreneurs described their personal interests and goals in establishing the foreign venture.	Personal and non-economic goals Section 3.1.2
A3: Family	Does not mention	Entrepreneurs set up and shut down the business for family reasons.	Family business literature Section 3.1.3
B: Entrepreneurs' emotions and action	Does not mention	Entrepreneurs described their passion, excitement and confidence in international entry, their sadness, fear, anger and anxiety during internationalization and the grief, relief and fatigue in international exit.	Entrepreneurial emotion literature Section 3.2
C: How entrepreneurs make international exit decisions?	Models view international exit as a failure or strategic change.	Entrepreneur view the international exit as "a rational decision for myself and not my company ". It is a subject and personal choice.	Baron (2008) the role of affect in entrepreneurial process. Section 3.3

Table 2-6: Emerging themes, Source: author

According to my pilot study, there are three research themes in this thesis. Theme A focuses on the causes of international exit since my pilot study suggests the role of entrepreneurs' non-economic variables in decision-making. International exit literature in IB field presents environmental and organizational variables affecting international exit. McDougall-Covin et al. (2014) highlight the need for individual level research and my pilot study suggests three individual variables affecting international exit: predispositions, personal goals and family. Thus, Theme A examines these three individuals' non-economic variables using threshold theory in Entrepreneurship field and argues international exit is entrepreneurs' personal choices.

Theme B targets how entrepreneurs' emotions shape their actions in internationalization since my pilot study shows entrepreneurs' emotions are closely related to their decision-making international exit. Damasio (1994) discovers people

are difficult to make decisions without emotions in spite of their excellent rational and logical problem solving skills. Entrepreneurs also described their actions with emotions in my pilot study. However, the role of emotions is an under explored area in IB field. Thus, Theme B integrates the emerging entrepreneurial emotion literature in Entrepreneurship field to explore entrepreneurs' emotions.

Main research question: Why do Taiwanese entrepreneurs who have invested in China exit?		
Theme	Theme topic	Subsidiary research questions
A	Entrepreneurs' non-economic variables resulting international exit (predispositions, family, personal goals)	Why do entrepreneurs make international exit decisions? Viewed from an individual and non-economic perspective.
B	Entrepreneurs' emotions and actions in international process	How do incident-generated emotions shape entrepreneurs' actions in internationalisation from entry, operations to exit decisions?
C	The decision making of international exit	How do entrepreneurs make the decision of international exit and what is the outcome?

Table 2-7: Research questions and themes

Finally, Theme C explores the decision-making process of international exit. IB literature views international exit as a failure or a strategic change. This view is challenged by my pilot study findings that the entrepreneur of Firm B said exiting China is “a rational decision for myself and not my company”. This statement supports threshold theory in Entrepreneurship field that exit is the outcome of entrepreneurs' subjective assessment and highlights the need to revise international exit decision-making model. Thus, Theme C aims to revisit current models (e.g. Benito and Welch, 1997) and develop a more comprehensive one.

To address the research gaps and answer the main research question, the subsidiary research questions are developed in Table 2-7. The next chapter will discuss current understanding of each research theme.

Chapter 3 : Understanding international exit- An Entrepreneurship Perspective

Following the trend of recent International Entrepreneurship (IE) and Entrepreneurship literature emphasizing the role of entrepreneurs, this chapter examines the role of entrepreneurs in decision making using three themes (see Table 2-7). To answer the subsidiary question in Theme A: *Why do entrepreneurs make international exit decisions? Viewed from non-economic perspective*, three non-economic variables are examined including entrepreneurs' predispositions, goals and family. Section 3.2 answers the subsidiary research question in Theme B: *How do incident-generated emotions shape entrepreneurs' actions in internationalisation*. The essence of emotions in decision-making is firstly highlighted in Section 3.2.1. Then Entrepreneurial emotion literature is presented in terms of its role in opportunity discovery (Foo et al., 2009), risk perception (Shepherd, 2003) and business closure (Jenkins et al., 2014). Section 3.3 answers my final subsidiary research question in Theme C: *How do entrepreneurs make the decision of international exit and what is the outcome?* An overview of decision-making on international exit is firstly presented, and then a conventional framework is built up based on Boddewyn (1983) and Benito and Welch (1997). However, I argue they fail to explain the role of individual in international exit decision-making and how individual shapes its outcome. Therefore, in Section 3.3.2, a new theoretical framework of decision-making of international exit is presented.

3.1 Theme A: Individual variables resulting in international exit

Theme A suggests that international exit is an entrepreneurs' decision rather than a rational and organizational decision. That is, objective criteria including performance and strategic importance are not the only criteria in making exit decisions. Viewed international exit from entrepreneurs' perspectives, this section examines three individual variables resulting in international exit.

Section 3.1.1 examines entrepreneurs' predispositions to host country using an individual learning perspective. Entrepreneurs' practice (Jarzabkowski and Spee, 2009), learning theories in management (Simon, 1955) and IB (Sapienza et al., 2006) fields are reviewed. The individual learning is highlighted and explained using Vygotsky's (1997) socio-historical theory. This section suggests entrepreneurs learn from their experiences and use the learning outcome to make decisions (Johanson and Vahlne, 2006). Thus, in the context of internationalization in emerging economies, the learning outcome of local institutions (entrepreneurs' predispositions to host country) may affect their decision-making in internationalization.

Section 3.1.2 discusses entrepreneurs' personal goals of decision-making by examining Ocasio's (1997) attention-based theory, Latham's (2004) goal theory and Chrisman's (2012) intangible goal studies in Family business. This section explains why individual goal affect decision-making by using Csikszentmihalyi's (1990) state of flow theory claiming that people enjoy the greatest happiness through contributing to something interested in and good at; they are fully immersed and passionate about an activity. Thus, people may be driven by personal goals instead of organizational goals on making decisions to obtain/maintain the state of flow.

Section 3.1.3 looks at how family affects entrepreneurs' decision-making. Due to cultural difference, family seems to have a stronger role in emerging economies particularly in Confucianism society (Sui, 2014). Hatem (2012) highlights the role of family in opportunity identification and internationalization speed in firms from emerging economies. It is evident that family plays a role in individual decision-making. Detienne and Chirico (2013) state how socio-emotional wealth affects entrepreneurial exit strategies. This section thus argues family influence in decision-making using a socio-emotional wealth perspective.

Section 3.1.4 concludes Theme A by explaining how the three individual variables result in international exit decisions using threshold theory (Gimeno et al., 1997). This section argues that each venture has its non-economic value, which is built on individual variables. The non-economic value of firms can be viewed as the

substitute of economic value (organizational performance) and hence affect entrepreneurs' threshold of performance.

3.1.1 Entrepreneurs' predispositions to the host country

This section argues entrepreneurs' predispositions to host country affect international exit decisions. Entrepreneurs' predispositions refer to a liability or tendency to act in a particular way or hold a particular attitude. It is part of entrepreneurs' habitus- a set of acquired and durable predispositions, which are generative (in the sense of being interrogated in the light of new events or acts) and dynamic (unlike habit) (Bourdieu, 2000). Predispositions are internalised without articulation and are followed because they seem to make practical sense; in addition, predispositions bring the past into the present (Swartz, 2002) since it can be changed through experience and learning. The term "entrepreneurs' predispositions" is used instead of individual habitus since it is a board term and operates at many levels and fields. I target the impact of entrepreneurs' predispositions to host country on international exit, thus I stick with predispositions on terminology.

Studies on internationalization usually examine psychic distances using Hofstede's (1980) cultural theory, viewing the cultural distances in regional/national level. However, as indicated in section 1.2.1.2, Taiwanese have different predispositions to Chinese Government referring to their political preferences. Thus, it may argue that each Taiwanese entrepreneur was affected by collective belief such as Taiwanese culture, but the transposition from collective beliefs to internalised individual predispositions is not a static event but a dynamic process inter-mixing different habitus and contrasting them into unique configuration arising from their deployment in the circumstances individual find themselves (Reay, 2004). Entrepreneurs gain experience from different sources, and they would store in their short-term memory. After a series of perception, discovery, and learning, these experiences may move to long-term memory and become entrepreneurs' knowledge, which is the database and shortcut (heuristics) for decision-making. Entrepreneurs' predispositions are one of these intelligences in decision-making and the outcome of individual learning (Jarzabkowski, 2004).

Hence, each entrepreneur has his own arena of practice in strategizing since practice is established in the habitus, a set of individual predispositions (Bourdieu, 1990). Vygotsky's (1997) suggests three sources of this intelligence: the experience of previous generation (historical experience), the experience of other people (social experience) and the repeated experience (doubled experience). Firstly, historical experience is associated with personal experience including working and education. Secondly, social experience refers to experience of other people, being transferred through communication. For example, entrepreneurs can know China by reading and without actually visit China. The doubled experience means the individual behaviour is firstly formed in the head and then adapt to the real world like designers create a draft in head and reproduce it. Lantolf (2004) comments on Vygotsky's (1997) research that it is "*a theory of mind...that recognizes the central role that social relationship and culturally constructed artefacts play in organizing uniquely human forms of thinking*". That is, cognitive person is the centre of social learning.

In terms of the impact of entrepreneurs' predispositions to host country on internationalization, McDougall and Oviatt (1994) indicate an experienced entrepreneur is the key of successful internationalization. Experienced entrepreneurs have large amount of knowledge gained from their previous work and entrepreneurial experience. Compared with novice entrepreneurs, they have their own practice (habitus) of interpreting, making and implementing decisions. Sapienza et al. (2006) agree with this view indicating that entrepreneurs' experience reduces the liability of newness and enhance opportunity recognition. Hence, as the outcome of individual learning of host country, entrepreneurs' predispositions to host country should have an impact on foreign venture survival, but this impact is not necessarily positive.

The impact of entrepreneurs' experience on internationalization is debatable. My pilot study suggests entrepreneurs' negative predispositions to Chinese government increase their risk perception and result in exit. Fern et al. (2010) indicate entrepreneurs' experience would constraint firms' strategic choice thus limit future development. Hung and Whittington (1997) extend this view by arguing Taiwanese entrepreneurs' social experience, including political and cultural experience, also

affect their decision-making. These views suggest the impact of entrepreneurs' experience on internationalization is not necessarily positive. In addition, IB literature assumes entrepreneurs automatically gain experience through internationalization (e.g. Johanson and Vahle, 1977). Shepherd et al. (2009) argue individual learning is not an immediate and automatic process. Some entrepreneurs can learn from their experiences while other cannot. Take failure experience for example, Ucbasaran et al. (2011) suggest that strong emotions generated by failure prompt entrepreneurs to blame others more than themselves for protecting self-esteem. Thus this attribution bias limits entrepreneurs' learning from their experience (Jenkins, 2012). Therefore, entrepreneurs should be viewed as a heterogeneous group in learning and their learning outcome (e.g. predispositions) should have different impact on internationalization.

In summary, this section provides an overview of the source of entrepreneurs' predispositions (social and historical experiences) and how their predispositions may affect decision-making (serve as a habitus/ heuristics). Entrepreneurs' predispositions to host country reflect their social and historical experience in the host country. It is evident that entrepreneurs' predispositions enable them to perceive process and interpret information in different ways (Kahneman and Tversky, 1979) but the impact of entrepreneurs' predispositions on international exit needs further investigation. *How do Taiwanese entrepreneurs' predispositions to China affect international exit decisions and what are the outcomes* will be my first focus in Theme A. The next section introduces the second individual variable: entrepreneurs' goals

3.1.2 Entrepreneurs' Goals

This section argues entrepreneurs' goal affects international exit decisions, considering international exit to be entrepreneurs' response when this venture has fallen short of their expectations. IB literature mainly discusses the impact of organizational goals and the strategic fit of external environment and organization on international exit. However, each individual will have multiple goals, arising from their personal histories, preference, and positions within the firms; these sets of

objectives cannot be reduced to any simple overall statement explaining what the organization as a whole is attempting to achieve. Entrepreneurs are the key active agents in making international exit decisions; hence, their personal goals should have a critical impact on decision-making.

Entrepreneurs have multiple even contradictory goals when they establish their ventures, and these goals include economic and non-economic goals. Entrepreneurs' non-economic goals reflect their attitudes, values, and intentions of the organizational operation (Cyert and March, 1963a). Chrisman et al. (2012) suggest the essential role of non-economic goals needs further exploration. Non-economic goals vary, and some of them are less relevant to organizational development such as personal achievement, personal interest, or avoiding working for others. Morton and Podolny (2002) and Dunkelberg et al. (2013) indicate non-economic goals affect the resource allocation, strategic direction and commitment level in the firm. Ocasio (1997) explains this phenomenon using attention-based view, stating that options related to the entrepreneurs' goals could attract more attention than others. That is, people are usually more interested in information relevant to their personal commitments thus would selectively perceive relevant information and ignore others since human brain can only process limited amount of information each time. In line with this argument, Latham (2004:126) asserts, "*one's conscious goals affect what one achieves*". Therefore, entrepreneurs' personal goals, including economic and non-economic, would drive the direction of organization by constraining the information that they perceive.

Non-economic goals have been considered to have a negative impact on organizational development since they are non-rational forces diverging outcome from rational optimum. However, Chrisman et al. (2012) and Gedajlovic et al. (2012) argue that non-economic goals are not always in conflict with economic goals; alternatively, with effective management of these two, they can lead to a synergy. Entrepreneurs whose non-economic goals are consistent with economic goals may actually harvest substantial economic benefits and hence increase the efficiency of business operation.

Hence, why entrepreneurs' non-economic goals can drive/impede international exit decisions? Gimeno et al. (1997) find entrepreneurs who enjoy psychological benefits such as the feeling of achievement are willing to accept lower financial returns. Using the flow theory (Csikszentmihalyi, 1990) to explain this phenomenon that people enjoy the greatest happiness from contributing to what they are interested in and good at. They are fully immersed and passionate about those activities; therefore, the existence of background noise is temporarily suspended. Accordingly, entrepreneurs would accept lower performance if they are in the state of flow, obtaining compensation from achieving their non-economic goals. The satisfactory of organizational performance is determined by both economic and non-economic goals.

Applying this argument in making exit decisions, Headd (2003) argues the key to determine whether the operation is worth the efforts depends on entrepreneurs' goals. Entrepreneurs would exit for reasons, which are irrelevant to business operation but vital to entrepreneurs. For example, entrepreneurs who exit for health or family concerns, for better opportunities or for lack of family succession. Gómez-Mejía et al. (2007) found entrepreneurs would shut down the venture if they considered current activities threaten their own reputation or their control of this firm that are contradict to their non-economic goals. A simple examination by environmental and organizational perspectives would regard these exits as failures. However, a more in-depth analysis would indicate these exits are successes from the perspectives of achieving entrepreneurs' personal goals.

In summary, this section highlights the role of entrepreneurs' goals by showing what (e.g. personal achievement and interests), how (attention-based view), and why (the state of flow) it may result in international exit. Furthermore, Gedajlovic et al. (2012) suggest entrepreneurs' goals can dominate the decision-making under some conditions. The value of entrepreneurs' goals should have been acknowledged long ago but neglected. Hence, *how do Taiwanese entrepreneurs' goals affect international exit decisions* will be my second focus in Theme A. The next section presents the third individual variable: entrepreneurs' family.

3.1.3 Entrepreneurs' family

This section argues entrepreneurs' family affects international exit decisions particularly for Taiwanese entrepreneurs who have strong family-oriented culture. Most firms are begun as a family business, particularly firms in Asian countries including Taiwan, China, and Japan sharing strong family-orientated culture rooted in Confucianism (Sui, 2014). However, most of studies focus on the economic side of internationalization instead of the non-economic variables (Gomez-Mejia et al., 2011). Although many entrepreneurs establish firms to support their families by hiring family members and passing the business on with their family, internationalization studies rarely reveal the family variables influencing these decisions (Kontinen, 2011).

Family business is a business owned and/or managed with the intention of shaping and pursuing "*a family notion of a better future for the family, with the business operated as a vehicle to help achieve that desired future state*" (Chua et al., 1999:24). Why entrepreneurs' family play a role in making exit decisions? The non-economic value of possessing a business has been viewed as explanations of unexpected decisions in family business (Sharma and Irving, 2005; Gomez-mejia et al., 2011; Chrisman et al., 2012; Gedajlovic et al., 2012). Gimeno et al. (1997) argue that entrepreneurs have idiosyncratic threshold of performance in making exit decisions. Zellweger and Astrachan (2008) further suggest that a value of a business is built on financial and emotional gain of entrepreneurs. In line with the two arguments, Detienne and Chirico (2013) develop a conceptual framework explaining how the socio-emotional wealth in family business drives the exit strategies. Viewing from the non-economic gain (e.g. socio-emotional wealth) of owning a firm, the connection of family and decision-making are identified.

Gomez-Mejia et al. (2011) argue family firms usually value non-economic gains more than economic gains. He argues the loss of socio-emotional wealth is usually the most important reference point in making major decisions. Socio-emotional wealth (SEW) refers to "*the non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence and the*

perpetuation of the family dynasty” (Gomez-Mejia, 2007: 106). Detienne and Chirico (2013: 1302) depict SEW as “*the family control and influence, family member’s identification with the firm, binding socio ties, emotional attachments and transgeneration sustainability*”. Gomez-Mejia (2011) indicates family owners may accept low performance or economic performance to protect the SEW.

Although SEW concept explains how family plays a role in strategic decision-making, it is an organizational concept which builds on the notion that family firms behave differently to other firms (Gómez-Mejía et al., 2007; Gomez-Mejia et al., 2011). The impact of SEW on individuals is still unknown. However, the findings in my pilot study suggest entrepreneurs do consider their family in the decision making process. For example, entrepreneur of Firm X entered into China for his brother’s ambition and positive prediction. This finding is consistent with Gomez-Mejia et al.’s (2011) argument that family businesses take actions to protect family interests and to meet family member’s needs. Although the concept of SEW is currently used in organizational level studies, the findings of my pilot study suggest it is also applicable to family business owners. The needs of family members, including affective and financial ones, should play a role in entrepreneurs’ decision-making.

In addition to family needs, the role of family can also show in entrepreneurs’ ownership. Pierce et al.’s (2001) article proposes the idea of psychological ownership, suggesting individuals generate emotions when their ownership of certain tangible/intangible object is invaded. Psychological ownership can be found in three main motives: to be in control, the expression of self-identity, and individual commitment. This theory indicates individual may feel negative emotions when their psychological ownership of company is challenged. Brundin et al. (2014) apply this theory in family business ownership logic and suggest it is one of the core characteristics. Hence, it is no doubt that entrepreneurs (family business owners) will generate negative emotions once the psychological ownership, including family control, identity and commitment is challenged by non-family members. These negative emotions may drive them to make radical decisions.

According to the literature above, family may affect entrepreneurs' decision-making in the form of family needs and family ownership. Additionally, the context of this cross-border activity research should deepen current understanding of the role of family in strategic decision-making. Internationalization can be viewed as a method of diversification, and Rosa (1998) indicates the diversification of business is not only to sustain diversification but also to accommodate family members' needs and expectations. Entrepreneurs may internationalise their business for family. Conversely, they may also exit China for the same reason.

However, family business is often viewed as a homogeneous group. Chrisman et al. (2005) and Chua et al. (1999) highlight the research gap of investigating behavioural difference among family firms. Echoing to this call, Hatem (2012) argues family members in emerging market family firms are influential in internationalization including opportunity identification, networking and resource seeking by using their experiences abroad. She highlights the second generation's involvement in the business triggering rapid internationalization through their education or venturing experience abroad. Her research distinguishes the strategy, resources and process of family business firms in developing economies from developed economies.

In summary, this section discusses why and how family may affect international exit decisions. Hatem's (2012) research highlights the research gap of internationalisation process of family business from emerging economies. Hence, *how does family affect Taiwanese entrepreneurs' international exit decisions* will be my third focus in Theme A. The next section summaries 3 individual variables and explain how the 3 variables resulting in exit decisions.

3.1.4 Summary of individual variables

Theme A introduces 3 entrepreneur level variables from literature and my pilot study: entrepreneurs' predispositions, goals and family. These three individual variables argue that international exit is an entrepreneurs' response when this venture has fallen short of their expectation. This expectation is entrepreneurs' idiosyncratic threshold of performance, shaped by entrepreneurs' non-economic gain of the firm.

The threshold theory developed by Gimeno et al. (1997) is applied to explain why non-economic variables may result in international exit. Gimeno et al. (1997) challenge conventional view that equate exit with poor performance and failure (e.g. Boddewyn, 1983; Li, 1991). They argue that a firm's exit is determined by both economic performance and entrepreneurs' threshold of performance- "*the level of performance below which the dominant organizational constituents will act to dissolve the organization*" (Gimeno et al., 1997: 750). Zellweger and Astrachan (2008) suggest the value of a business is built on financial and emotional gain of entrepreneurs. Therefore, the non-economic (emotional) gain of owning the firm should shape entrepreneurs' threshold of performance.

If entrepreneurs enjoy high non-economic gains of their firm, they may accept low or even negative financial performance (reduce the threshold of performance) and are less likely to make exit decisions. Staw (1981) and DeTienne et al. (2008) use this concept to explain the persistence of underperforming firms. Alternatively, if entrepreneurs experience high non-economic loss of the firm, they may ask for higher performance to compensate their loss (increase threshold of performance). This action may result in international exit if the organizational performance cannot meet the increased threshold of performance.

Accordingly, the economic gain of the firm does not singularly determine its survival. The 3 individual variables may affect the non-economic value of owning the firm, thus drive international exit decision-making. The three individual variables and threshold theory should provide a fresh insight into this area. Three main focuses are identified in Theme A, summarized below:

- 1. How do Taiwanese entrepreneurs' predispositions to China affect the exit decision?***
- 2. How do Taiwanese entrepreneurs' goals affect international exit decisions?***
- 3. How does family affect Taiwanese entrepreneurs' international exit decisions?***

The next section, Theme B, examines entrepreneurs' decision-making from emotional perspectives, focusing on how entrepreneurs' emotions shape their actions in internationalization.

3.2 Theme B: Entrepreneurs' emotions and actions in international exit

Conventionally, emotions, if considered at all, often have been considered to be a source of interruption of rational thinking in most decision-making and cognition theories (e.g. Simon, 1955). Emotion is a rarely discussed topic in decision-making of internationalization. Mayer and Salovey (1993) conclude the tradition in Western thoughts has viewed emotions as disorganized interruption of mental activity resulting in a complete loss of intellectual control and no trace of conscious purpose. Emotion is not considered to be a force that may affect international exit decision since there is a lack of literature support in International Business (IB) field. However, my pilot study told a different story and highlighted the role of emotions in decision-making. Interviewees frequently described their emotions toward certain events and how they took actions in response to emotions. The need for exploring the role of emotions in decision-making has been evidenced. The pervasive influence of emotions on the way we see the world is also found by examining literature from other fields.

To portrait the role of entrepreneurs' emotions in their actions in internationalization, Section 3.2.1 highlights the essential role of emotions in decision-making. Section 3.2.2 then discusses how emotions shape entrepreneurs' decisions and actions using the emerging entrepreneurial emotion literature. Following Baron's (2008) model of entrepreneurial emotions and entrepreneurial process, current literature explores how entrepreneurial emotions shape entrepreneurs' opportunity evaluation and pursuit (Hayton and Cholakova, 2012; Welpel et al., 2012), commitment level (Foo, 2011) and after-failure learning (Shepherd, 2009; Jenkins et al., 2014). There is a shortage of research on how entrepreneurs' emotions affect their post-entry development such as business operation, learning and adaptation and decisions of exit (Cardon et al., 2012). Section 3.2.3 summaries Theme B and presents research gaps.

3.2.1 The Essence of Emotions in Decision-making

This section discusses the absence of the emotional perspective in IB literature and argues it is inclusive in decision-making. Emotion, if mentioned at all, is viewed as a

residual category or disruption in decision-making for scholars who are interested in economic models and rational decision-making (Elster, 1998). Although Simon (1957) discusses emotions in his bounded rationality research, his focuses on the obstacle to receive full information instead of emotion itself. Conventional decision-making literature has paid little attention to the role of emotions.

Instead of considering emotion to be a disruption, Damasio (1994) discovers patients with damage to ventromedial prefrontal cortex that interferes with their normal affective reactions were found to have severe impairment in decision-making and judgment, in spite of their excellent rational and logical problem-solving skills. Accordingly, emotion is a crucial component for decision-making rather than disruption as has long been assumed. In recent behavioural turn of decision-making literature, Frank (1988) highlights the role of emotions in strategic decisions and has made a call for relational and cultural aspect of organizational structure and DiMaggio (2002) “endogenising animal spirits” in economic analysis. In one of the rare reviews on emotions, Behavioural Finance researchers give insights into non-rational mind by viewing the decision maker as an active agent and write on emotions and finance (e.g. Pixely, 1999; 2004, Taffler, 2010).

Bandelj (2009) examines emotions and economy literature and summarised three main strands: (1) emotional management in occupational roles, (2) emotional intelligence and job performance, and (3) emotions as heuristic for rational economic action. Pierce (1995) and Hochschild (2012) argue that service workers can manage their emotions and manifest them to those emotions that they are supposed to have in occupational (economic) role, such as a smiling face of a flight attendant. In terms of emotional intelligence (EI), it is “*the capability to process emotional information accurately and efficiently, including that information relevant to recognition, construction, and regulation of emotion in oneself and others*” (Mayer and Salovey, 1993: 197). EI is defined as a type of individual capability in dealing with emotional information, and in Mayer and Salovey’s (1993) research, they consider emotions to be part of decision-making process. Through effectively managing emotional information, people can achieve flexible planning and creative thinking, and hence a better organizational (economic) performance. Accordingly, in the real business

world, emotions and decision-making are not separated as suggested by economic theories.

The third strand, emotion as heuristic, shows how emotions assist economic decision-making. Damasio's (1994) research highlights emotions are compulsory for decision-making. In line with this view, Forgas (1995) proposes affect-infusion-model showing how individual use emotions to make judgement. Slovic et al. (2004) and Kahneman (2011) indicate emotions serve as a heuristic. The three strands argue that the economic decision-making school underscores the relational nature, which generates emotional response to economic transactions (Bandelj, 2009). Economic actions are social actions (Weber, 1978); it is not possible that economic transaction would happen differently.

Banglj (2009) indicates most current research adopts an atomistic perspective in examining emotions and economic actions. She proposes that researchers should pay attention not only to how emotions shape an individual's utility or economic role of performance, but also what emotions result from and are influenced by interactions that an individual has with other social actors during economic processes. Vygotsky (1997) notes that emotions are shaped by culture. From this Vygotskian perspective, emotions are as important as any other perception to cognitive processes. As Wells (2002) states, learning involves all aspects of the learner – acting, thinking and feeling. This view of learning differs from behaviourist or cognitivist western schools, which use what Brothers (1997) calls the isolated mind i.e. insulated from social factors and feelings: it is closer to Confucian traditions of holistic learners (cite): *“learning occurs in relation to other people and inseparably from one's affective state – learning is a lived emotional experience not the result of a mind/body dichotomy”*. For Vygotsky (1997:373) intellect and emotions are fused in a unified whole.

The centrality of emotion in economic processes is further confirmed in organizational studies. Huy (1999) and Brundin (2002) examine emotions and strategic changes. They view emotions are driving/restraining forces of organizational changes. More recently, Luthans et al. (2007) view emotions as

psychological capital, an individual resource that may affect financial performance. They argue the investment of psychological capital may yield substantial returns, thus it is as important as other traditional forms of capital investment such as financial, human and social capital. Accordingly, individual psychological capital should drive the decision-making in internationalization like other organizational resources suggested in Barney (1991).

Positive psychological capital refers to *“an individual’s positive psychological state of development and is characterized by: (1) having confidence (self-efficacy) to take on and put in the necessary effort to succeed at challenging tasks; (2) making a positive attribution (optimism) about succeeding now and in the future; (3) persevering toward goals and, when necessary, redirecting paths to goals (hope) in order to succeed; and (4) when beset by problems and adversity, sustaining and bouncing back and even beyond (resilience) to attain success”* (Luthans et al., 2007, p. 3). Csikszentmihalyi (1990) note that such psychological capital is developed through a pattern of investment of psychic resources that result in obtaining current reward and future benefits. This theory views an emotion as a capital, the resource that can be develop and manage through the learning process. Unlike other resource theory focusing on organizational resources (e.g. Barney, 1991), the theory examines individual’s emotional capital and its impact on job performance satisfaction and financial performance.

For example, Peterson and Luthans (2003) found store manager’s hope is positively contribute to the financial performance and employee’s job satisfaction in fast food industry. This argument is supported by research in other context. Luthans et al. (2005) found the hope level of Chinese workers are related to their supervisory-rated job performance and wage. Additionally, positive psychological capital can enhance resilience, which is an individual's ability to properly adapt to stress and adversity. Luthans and Youssef (2007) indicate employees’ satisfaction and happiness can enhance their resilience which enable them to effectively renew efforts after failed attempts and balance the impact of negative emotions. In summary, positive psychological capital, the state of positive emotions has impact on individual job performance and resilience.

However, this research will examine entrepreneurs' "positive emotions" instead of "positive psychological capital" for following reasons. Firstly, it is the accumulated positive emotions including hope, optimism and confidence. This research focuses on the impact of single emotion on decision-making. Secondly, studies of positive psychological capital target the impact of employees' psychological capital on individual job performance while this research target entrepreneurs' positive emotions on strategic decision-making. Finally, the concept of "capital" implies the emotions can be accumulated, developed, and stored for future use. This research does agree with this viewpoint by introducing the concept of entrepreneurs' predisposition (section 3.1.1), the learning outcome of previous experience. Entrepreneurs' positive psychological capital may be part of their positive predisposition of host country, which enables them to have positive attribution (optimism) about succeeding now and in the future. Nevertheless, the emotions I discuss in this thesis refer to entrepreneurs' incident generated emotion instead of preserving emotions (positive psychological capital). I use the term positive emotions to avoid misunderstanding.

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In summary, Theme B focuses on the role of entrepreneurs' emotions on their actions in internationalization. It is an individual level analysis and only investigates the impact of entrepreneurs' incident emotions on strategic decisions but not on other people such as staff. The next section directs the attention to entrepreneurial emotion literature, focusing on how entrepreneurs' emotions shape firm's development.

3.2.2 Entrepreneurs' emotions and actions

This section argues although scholars have paid some attention to emotions in the economy, this area is still under-researched. The emerging entrepreneurial literature shed light on the role of entrepreneurs' emotions on economic actions. An overview of this literature is presented in this section.

Non-cognitivists view emotions as the feeling caused by awareness of bodily changes (e.g. James, 1884). This research examines emotions from philosophical rather than psychological perspective. Instead of viewing emotions as feelings caused by awareness of bodily changes, I view emotions as the *exhibiting intentionality* (Hutchinson, 2009: 61) and characterised by certain cognitions such as judgements, evaluations and interpretations. Although emotion is used as an umbrella term, I follow the definition of Cardon et al. (2012) in entrepreneurial emotion literature defining emotion as a reaction of entrepreneurs to a critical incident (stimulus) that has consequences for decision-making (cognition) or actions (behaviours) in internationalization. Although I follow entrepreneurial emotion literature, the term "*entrepreneurs' emotions*" is used instead of "entrepreneurial emotions". This research targets how entrepreneurs' incident-generated emotions shape their actions in internationalization such as international exit. Thus, "*entrepreneurs' emotions*" is a more appropriate term.

Most studies of entrepreneurial emotion explore how emotions influence cognition and how emotions exert impacts on individual decision-making. Emotions influence cognition through the process which information is entered into memory, processed and retrieved for later use (Forgas, 1995; Forgas and George, 2001), and the interface between emotion and cognition is continuous and pervasive. The emerging entrepreneurial emotion literature bridges emotion and entrepreneurial process.

Despite that recent research has made a progress over the last few years, most work in this area targets the early or the end stage of a business. Research on early stage business discusses the opportunity pursuit and evolution. Baron (2008) provides a complete picture of the role of emotions in entrepreneurial activities. He argues that entrepreneurs with positive emotions tend to prefer effective strategies, and are more likely to enhance creativity and the ability of resource acquisition and problem solving. His later research explores how emotions affect innovation process (Baron and Tang, 2011). Foo (2011) and Hayton and Cholakova (2012) evaluate the effect of positive and negative emotions on the pursuit of entrepreneurial ideas. Dimov (2010) and Welpel et al. (2012) further explore the impact of specific emotions (confidence, anger, fear, and joy) on venture emergence. Researchers target early stage of entrepreneurial process argue that emotions influence cognition, and cognition has been shown to predict opportunity identification and evaluation, thus, emotions shape entrepreneurial exploitation through cognition.

Studies of the late stage of business highlight venture closure is an emotional event since entrepreneurs view ventures as the extension of their identity (Shepherd, 2009). Shepherd and his colleagues have developed conceptual frameworks and tested them empirically on entrepreneurs' emotional reactions (grief), recovery and learning after failure (Shepherd and Cardon, 2009; Shepherd et al., 2009; Shepherd, 2009). In line with Shepherd's finding, Jenkins et al. (2014) use appraisal theory to explain the emotional response to failure (grief and relief), and its impact on learning process and re-entry. They argue that learning from failure is not an automatic and immediate process (Jenkins et al., 2014). When a person faces a major loss, it is easier for that grief person to make sense of the failure but not the loss (Shepherd, 2009). People can do nothing that increases the negative emotions and hence slow down the grief recovery and learning process. For example, with the death of a loved one, people may become tongue-tied for fear of spreading the grief to others. In this case, it slows down the grief recovery process since asking the emotional supports and talking about the loss within their social network (e.g. family members) can help a person to work through the grief (Davis et al., 1998). Accordingly, Shepherd (2009) highlights the individual difference in grief recovery of business failure and Jenkins et al. (2014)

extend this view suggesting how entrepreneurs perceive the causes of their failure will affect their learning processes.

This section gives an overview of entrepreneurial emotion literature. The next section summarises Theme B and discusses the identified research gaps.

3.2.3 Summary of Entrepreneurs' Emotions

This section highlights two research gaps: how emotions affect the holistic international entrepreneurial process and what emotions may occur in internationalization and their impact on entrepreneurs' actions. In addition to the early and end stage of business research, Foo et al. (2009) examine the impact of entrepreneurs' negative and positive emotions on long-term and short-term efforts and Brundin and Gustafsson (2013) targets the confidence, hope, embarrassment and strain in the propensity to continue investment. Emotions have been proven to play a role in leadership (Brundin et al., 2008) and strategic changes (Brundin, 2002; Huy, 2005).

Huy (1999) examines the role of emotions in organizational changes. His empirical data suggests entrepreneurs elicit emotions when they perceive the conflict of expected outcome and reality. Their emotions change the receptivity to change, which refers to the willingness to sense and accept the change. Different emotions would lead to different degree of receptivity, thus it influence the outcome of organizational changes. Brundin (2002) explores the influence of emotions in a radical strategic change process. She views emotions as the direct/indirect driving and restraining forces within the process. Her research shows how the effect of emotions that are interpreted and transformed in a way that advances the progress of radical changes. It indicates emotions are contagious and help to create energy, and thus facilitates or inhibits effect during the strategic change process. Therefore, emotions are expected to influence the exit process, which is a radical strategic change. Investigation of the exit decision-making process also responds to Cardon et al. (2012) call of "in the middle" process and an overview of whole entrepreneurial process between opportunity and exit.

The context of Taiwanese entrepreneurs invested in China is expected to contribute to entrepreneurial exit literature. Doern and Goss (2014) highlight the importance of social environment in which entrepreneurs operate by exploring shame-related appeasement behaviours of Russian entrepreneurs. Emotions occur in response to a stimulus, and this stimulus can be related to others (Smith and Lazarus, 1993). In the context of entrepreneurial process in foreign countries, different emotions may occur since entrepreneurs need communicate and interact with people from different cultural backgrounds. Bruton et al. (2010) argue the institutions have proven to be powerful in examining Entrepreneurship topics in cross-border activities. Institutional environment limits entrepreneurial opportunities, thus affects new venture creation. The institutional distances between entrepreneurs and locals may elicit other emotions that are not discussed in domestic context. Combined with the argument in section 3.1.1 and section 3.2.1 that learning is a crucial element in internationalization, emotional elements of individual learning - how emotions and individual learning interact in the context of internationalization would be examined.

In summary, two research gaps are combined into one subsidiary research question in Theme B:

How do incident-generated emotions shape entrepreneurs' actions in internationalisation?

3.3 Theme C: The decision making of international exit

This section gives an overview of current decision-making models of international exit. Combined with my arguments in Theme A and Theme B, a revised decision-making framework is developed.

3.3.1 An overview of international exit decision-making models

This section examines Boddewyn (1983) foreign divestment model and Benito and Welch (1997) de-internationalization model. A new theoretical framework based on conventional international exit model and my arguments is developed for further testing in discussion section (see Figure 3-3).

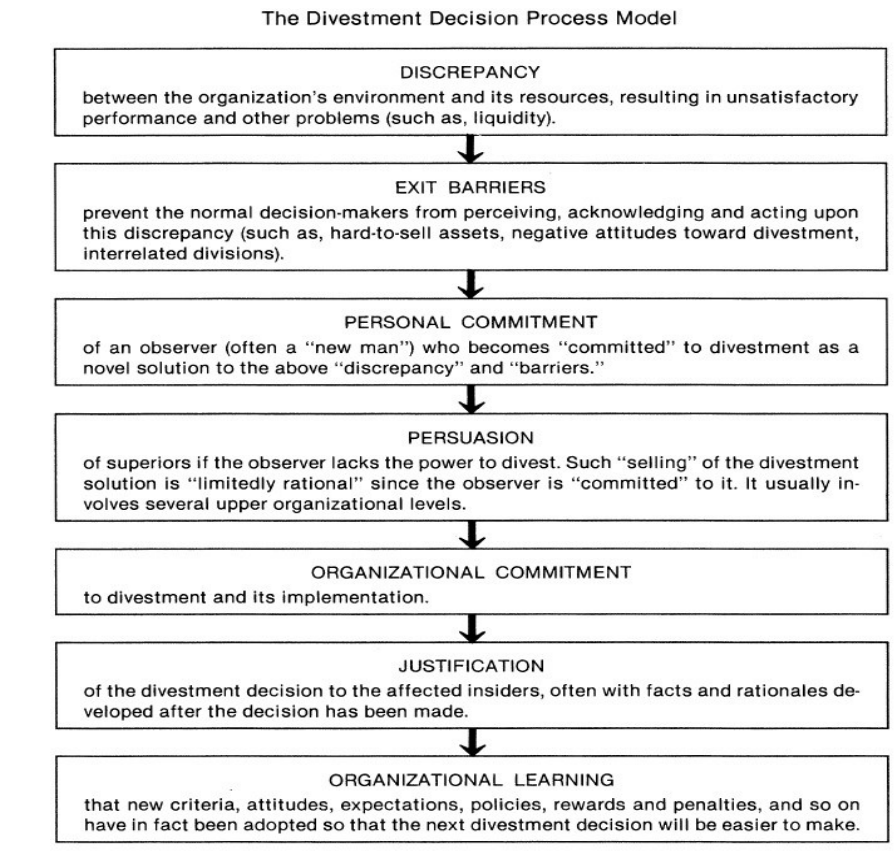


Figure 3-1: The Divestment decision process model, Source: Boddewyn (1983:26)

How do companies operate in foreign markets? This question has been at the centre of international business studies for four decades. However, Benito and Welch (1997) indicate that most studies focus on pre internationalization instead of post entry development. Therefore, the question of why entrepreneurs change their mind after internationalization and withdraw their commitments is lack of systemic research. Gilmour (1973) develops the domestic divestment decision-making model, and Porter (1980) introduces the concept of exit barriers. Building on their research, Boddewyn (1983) develops the international divestment decision-making process (see Figure 3-1).

Boddewyn's (1983) model is simple and linear (Figure 3-1). However, this model is difficult to apply in real international exit decision-making for the following reasons. Firstly, this process is linear and straightforward for making one-time decision. Due to the dynamic nature of business environment, each process could be reversed and a

more detailed process is needed to explain how discrepancy prevails over exit barrier and make decision makers “perceive” the need to change their operation mode, to decrease commitment or to close the venture. What decision makers experience and how they change their mind leave an interesting gap for further examination.

Secondly, this model is based on the assumption that exit is the result of poor organizational performance. Headd (2003) indicates this is not applicable for successful and voluntary closures. Entrepreneurs would terminate a profitable and promising venture to accomplish their intangible goals, which could be irrelevant to organization and environment. Organizational performance is not the only criterion of venture closure and entrepreneur level variables should also be included. Shepherd (2009) suggests international exit is like a divorce. It is the people who make the decision but not the variables. Thus some situations may occur; for example, entrepreneurs would rather increase their financial costs to recover from their high emotional costs. The acknowledgement and acceptance of a bad marriage is a long and struggling process, thus it implies a complicated nature of international exit and the oversimplification of Boddewyn’s (1983) model.

Figure 3-2 presents the de-internationalization model proposed by Benito and Welch (1997). This model assumes that company performance (input) and strategic change (input), including current development and changes in management team result in decisions to de-internationalize, to maintain or to expand the business (outcomes). Benito and Welch (1997) suggest the change of management team may lead to de-internationalization. A new management teams may have new organizational goals resulting in strategic changes such as international exit. However, the role of decision makers is still underestimated since they assume decision makers can make objective assessments and decisions to achieve their new organizational goals.

Boddewyn’s (1983) and Benito and Welch’s (1999) models do not, however, provide a comprehensive understanding of the decision-making process due to the lack of systemic research of the role on entrepreneurs. A more dynamic, individual -based model is needed to present the sophisticated nature of this process. The next section presents my revised framework.

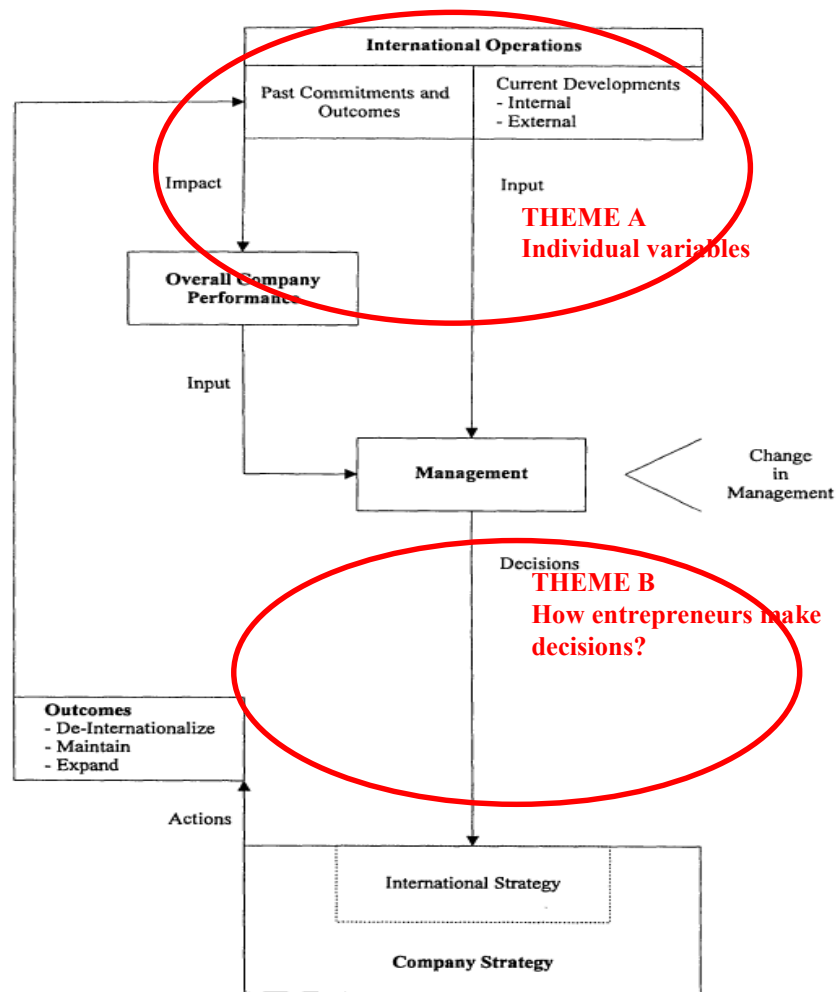


Figure 3-2: De-internationalization Model, Source: Benito, 1997: 20

3.3.2 Theoretical framework of international exit decision-making

This section presents the theoretical framework and how it was developed (see Figure 3-3). There are five stages in making international exit decisions: **(1) information, (2) incident generated emotions, (3) evaluations, (4) outcomes, and (5) learning from the actions.** As shown in Figure 3-2, Benito and Welch (1999) assume international exit is an organization's response to past commitment and outcomes (organizational performance) and current development (strategic directions). This decision model should then involve environmental and organizational variables

(Element 1, Figure 3-3,) → objective assessment of performance (Element 4, Figure 3-3,) → actions including investment, divestment, surviving and exit (Element 5, Figure 3-3) and organizational learning from previous actions (Element 6, Figure 3-3). Building on my arguments, my theoretical framework has the following modifications. I add two new elements: individual variables (Element 2, Figure 3-3) and entrepreneurs' emotions (Element 3, Figure 3-3) to the framework and replace entrepreneurs' objective assessment with subjective assessment of performance (Element 4, Figure 3-3) and organizational learning with individual learning (Element 6, Figure 3-3)

Theme A argues *international exit is an entrepreneurs' response when this venture has fallen short of their expectation* thus highlights three individual variables that may affect international exit decisions. Therefore, the first modification is the added individual variables in my framework (Element 2, Figure 3-3). In addition, Theme A argues international exit is an entrepreneurs' response based on their subjective assessment of organizational performance (Gimeno et al., 1997). Therefore, Benito and Welch (1997)'s model is modified again, suggesting international exit is the outcome of subjective assessment of organizational performance and strategic development (Element 4, Figure 3-3).

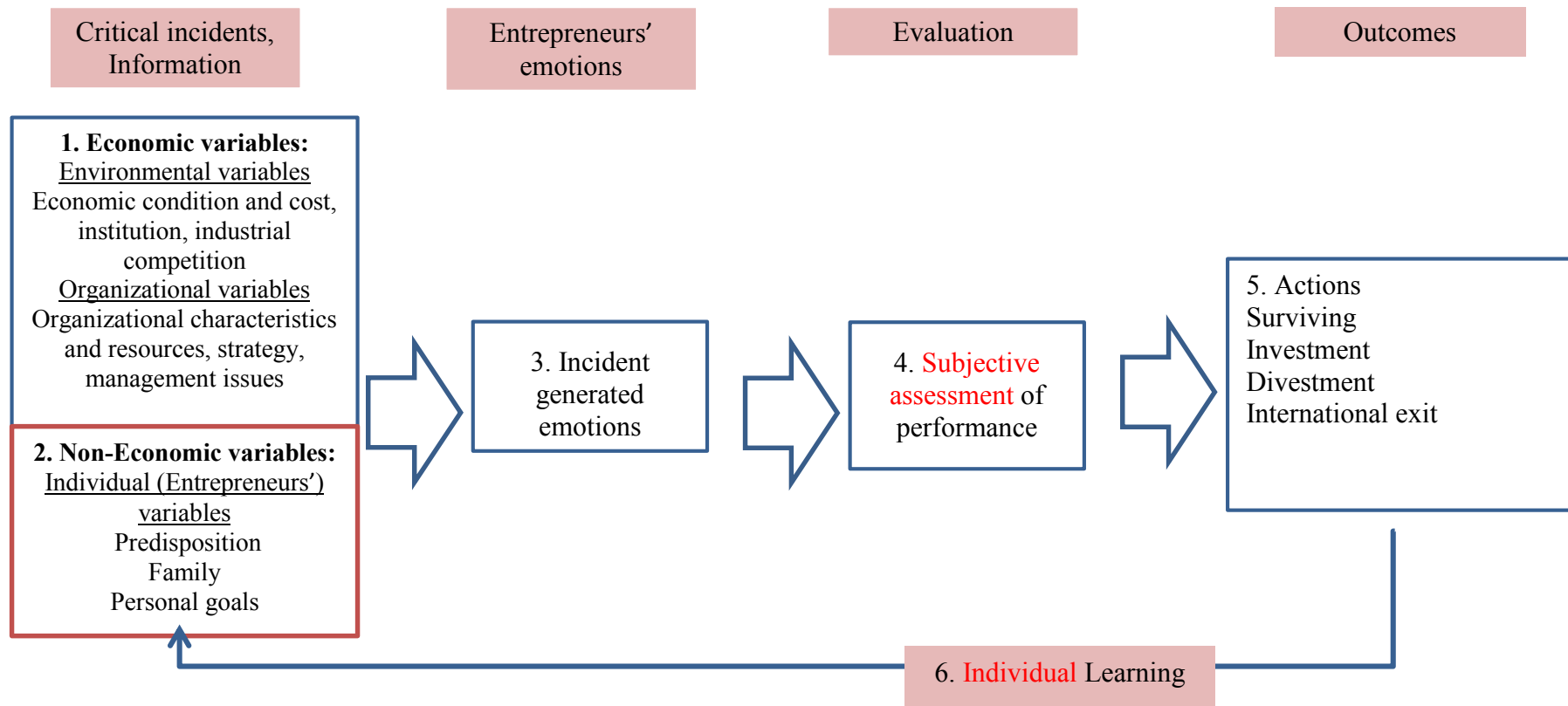
Theme B argues *emotions shape entrepreneurs' actions in internationalisation*. An emotional perspective should be applied in decision-making process. Huy (1999) and Brundin (2002) highlight entrepreneurs' emotions can serve as direct/ indirect driving and restraining forces within the strategic change process. An emotional perspective is adopted in examining how entrepreneurs make decisions on internationalization including investment, divestment, doing nothing (surviving) or even exit. The third modification, entrepreneurs' incident-generated emotions are therefore added in Figure 3-3 (Element 3). Finally, the fourth modification views entrepreneurs as a heterogeneous group and argues that entrepreneurs may have different extent of learning building on their accumulated social and historical experiences and emotions (Vygotsky, 1997; Jenkins et al., 2014). Hence, individual learning is more appropriate than organizational learning.

To illustrate the framework, five stages of decision-making are presented as follows.

First stage is the information. Conventionally, IB literature examines environmental and organizational variables, and concludes that these variables result in two enablers- poor performance and strategic change, thus lead to international exit (see section 2.3). The basic assumption of this argument is that each strategy is determined by both environmental situation and organizational condition (Shaver, 1998). The environmental variables closely intertwine with organizational variables and provide information to decision-maker (see Figure 3-3, Element 1 for variables). However, this view is challenged by Theme A and individual variables are added as entrepreneurs' non-economic and personal reasons resulting in international exit. Environmental, organizational, and individual variables are the information (critical incidents) that may result in international exit. This research focuses on individual variables.

Second stage is the processing of information, looking at entrepreneurs' emotions. Huy (1999) and Brundin (2002) highlight the role of emotions in strategic changes. Emotions may be viewed as the direct/ indirect driving and restraining forces within the process. In my theoretical framework, critical incidents (information) elicit entrepreneurs' emotions, and entrepreneurs make judgement based on their emotional response to the information (Baron, 2008). Cardon et al. (2012) indicate that emotions can shape entrepreneurs' behaviour, in my theoretical framework, the generated emotion may lead to entrepreneurs' actions including divestment, investment, doing nothing or even exit (fourth stage).

The third stage is evaluation. Entrepreneurs have their subjective assessment of performance (Gimeno et al., 1997) and this evaluation result in different actions in fourth stage. The fifth stage is individual learning since each action (outcome) contributes to future organizational performance and entrepreneurs' assessment of



* Benito and Welch (1999): Element 1-> 4(objective assessment) -> 5-> 6 (organizational learning)

*Added/ modified elements: Element 2. Individual variables (Section 3.1); Element 3.Entrepreneurs' emotions (Section 3.2)

Element 4: Objective assessment-> Subjective assessment (Section 3.1); Element 6: Organizational learning->individual learning (Section 3.1 and Section 3.2)

Figure 3-3: Theoretical framework of decision-making of international exit, source: author

future decisions. Echoing Vygotsky (1997) and Shepherd and Cardon (2009), entrepreneurs do not automatically and immediately learn from their experience; the degree of learning and learning outcome are varied. To understand why and how entrepreneur make decision on international exit, it is necessary to explore actions they take in internationalization and examine the correlation of each action and the decision of international exit.

3.3.3 Summary

Theme C answers the subsidiary research question: *How do entrepreneurs make decisions on international exit and what is the outcome?* Hence, Figure 3-3 is developed, building on Benito and Welch (1999)'s model and arguments in Theme A and B. The research focus of each theme is presented in Table 3-1. To answer the research question and test the usefulness of the theoretical framework, Chapter Five reviews the research methodology applied in this research. The main research question and subsidiary research questions guide the methodology employed.

Theme	Subsidiary research questions	Literature
Theme A	Why do entrepreneurs make international exit decisions? Viewed from an individual and non-economic perspective.	Section 3.1 Predispositions: Vygotsky, 1997; Bourdieu, 1990, Shepherd, 2009; Jenkins et al. 2014 Personal goals: Csikszentmihalyi, 1990; Morton and Pony, 2006; Chrisman et al., 2012; Dunkelberg et al., 2013 Family: Sharma and Irving, 2005; Gomez-mejia et al., 2011; Chrisman et al., 2012; Gedajlovic et al., 2012, Detienne and Chirico, 2014 Subjective assessment: Gimeno et al., 1997; Headd, 2003; Chrigo and Detienne, 2014
Theme B	How do incident-generated emotions shape entrepreneurs' actions in internationalisation from entry, operations to exit decisions?	Section 3.2 Entrepreneurial emotions: Shepherd, 2003; 2009; Baron, 2008; Foo, 2009; 2011; Dimov, 2007; 2010; Cardon, 2012, Welpe et al., 2013 Emotions in strategic changes: Huy, 1999; Brundin, 2006; Brundin and Sharma, 2012
Theme C	How do entrepreneurs make decisions of international exit and what is the outcome?	Section 3.3 Decision-making model: Boddewyn, 1983; Benito and Welch, 1999; Huy, 1999

Table 3-1: Subsidiary research questions and literature, source: author

Chapter 4 : Methodology

This chapter reviews the research method and methodology used in this study. The main research question and subsidiary research questions in each theme are firstly introduced (section 4.1). The research paradigm, the basic belief system that builds on ontological, epistemological assumptions and methodology are discussed to present the worldview of the researcher (section 4.2). This is a multiple-case study based on critical realism research paradigm. The selection of case companies, data collection methods and analysis techniques are also presented (section 4.3 and 4.5). Finally, this chapter concludes with the reflection on the appropriateness of the applied research methodology (section 4.7). The structure of this chapter is shown in Table 4-1.

Section	Summary	
Research Question	Section 4.1	The main research question and subsidiary research questions for Theme A, B, and C
		↓
Research Paradigm	Section 4.2	Ontological assumption Epistemological assumption Methodology
		↓
Multiple case study and data collection	Section 4.3 and Section 4.4	Unit of analysis Sampling strategy In-depth interview and critical incident technique Data collection process Data triangulation
		↓
Data analysis	Section 4.5	Within case analysis Cross case analysis
		↓
Reflection and Ethics	Section 4.7 and Section 0	Ontological appropriateness Epistemological appropriateness Methodological appropriateness Ethics

Table 4-1: Methodology Chapter Map, source: author

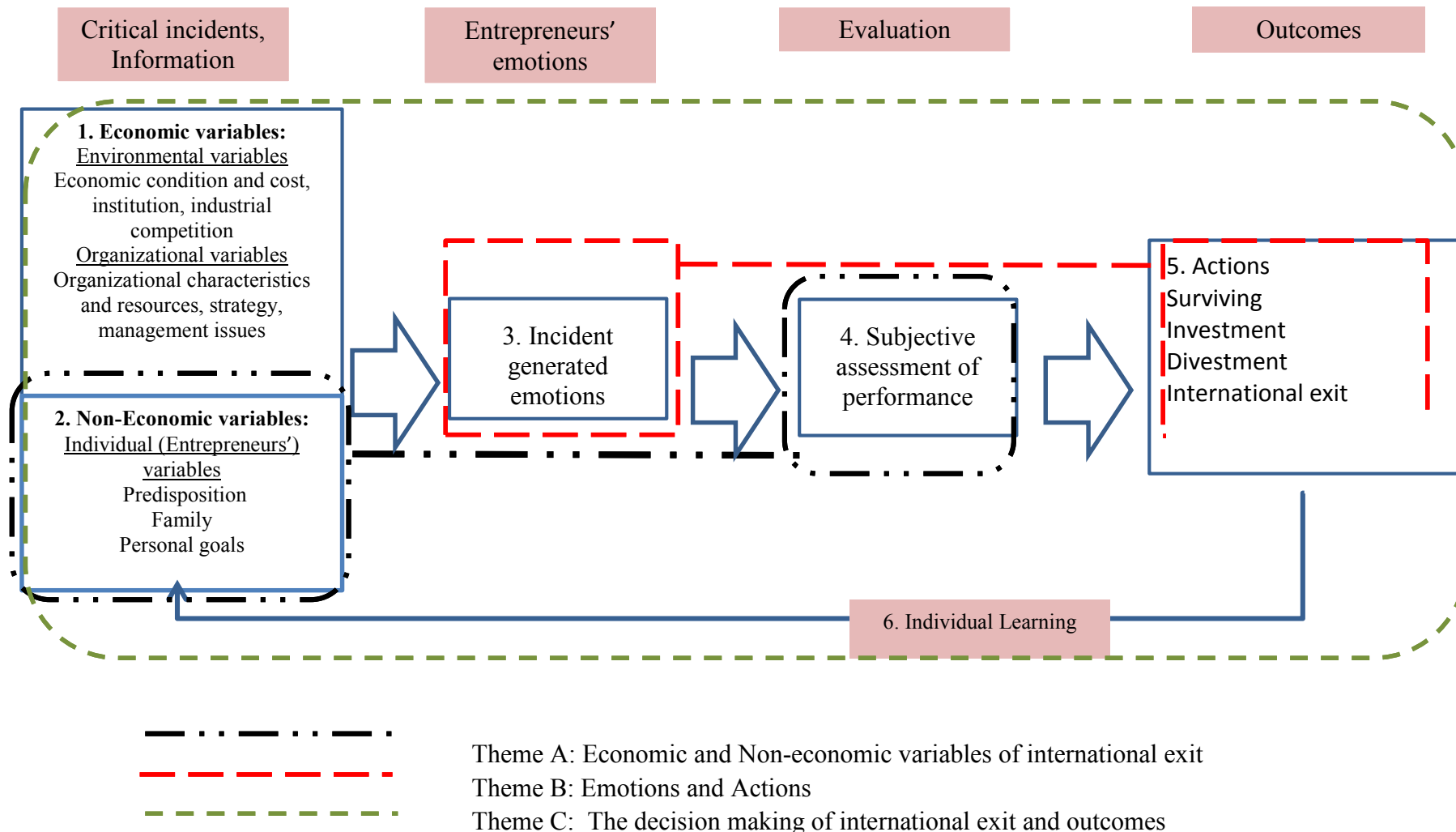


Figure 4-1: Theoretical frameworks and themes, source: author

4.1 Research Question

Building from my literature chapter and pilot study, I concluded that international exit is entrepreneurs' personal choice influenced by environmental, organizational, and individual variables. My main research question is therefore:

“Why do Taiwanese entrepreneurs who have invested in China exit?”

Given the insights gained from the literature chapter and my pilot study results, the theoretical framework in literature chapter is developed for investigation (Figure 4-1). To test the usefulness of the framework, I develop three themes for conducting an in-depth analysis as shown in Figure 4-1. The subsidiary research questions are presented in Table 4-2. The description and research gaps of each theme are shown in section 2.5.

Main research question: Why do Taiwanese entrepreneurs who have invested in China exit?		
Theme	Theme topic	Subsidiary research question
A	Entrepreneurs' non-economic variables resulting international exit (predispositions, family, personal goals)	Why do entrepreneurs make international exit decisions? Viewed from an individual and non-economic perspective.
B	Entrepreneurs' emotions and actions in internationalization process	How do incident-generated emotions shape entrepreneurs' actions in internationalisation from entry, operations to exit decisions?
C	The decision making of international exit	How do entrepreneurs make the decision of international exit and what is the outcome?

Table 4-2: Research questions and themes, source: author

The choice of research paradigm is informed by research questions. The nature of my topic suggests its research design. This research is carried out under a critical realism research paradigm. The following section reviews methodological consideration.

4.2 Research Paradigms: Critical Realism

A research paradigm represents a worldview that defining the nature of the world and the possible relationship to that world and its parts (Guba and Lincoln, 1994). In this section, I discuss my paradigm, the basic belief system that builds on ontological, epistemological assumptions. This is a qualitative and multiple-case study research based on critical realism that located between constructivism and positivism (Healy and Perry, 2000).

The positivist paradigm has dominated International Business (IB), International Entrepreneurship (IE) and Entrepreneurship research (Coviello and Mcauley, 1999; Jones et al., 2011; Morais, 2011; Welch et al., 2011). Many IB researchers use case study for inductive theory building in positivist view aiming to develop testable hypothesis and theory which are generalizable across setting (Eisenhardt, 1989). Eisenhardt (1989) assumes that the investigation process can be objective by achieving validity and reliability through the minimization of bias. In general, positivists consider reality is real and value-free. In comparison, constructivism views truth as a particular belief system held in a particular context (Healy and Perry, 2000). Researchers are part of the world they study. Stake (1995) argue “particularization” is the goal of case studies. Instead of generalizing findings, researchers using case study as interpretive sense making in order to embrace context, narrative and personal engagement.

The choice of research paradigm is informed by research questions. Positivist strategy is inappropriate to this research since I aim to examine why and how entrepreneurs’ non-economic variables and emotions affect their decision-making processes. Constructivism approach could be my choice, however, I aim to explain why entrepreneurs make decisions of international exit and provide a causes-and-effects explanation. I need to be both casual (as does the positivist) and interpretive (as does the constructivist); thus, critical realism approach is considered to be the most suitable one to answer my research questions since Bhaskar (1978) provides a way to reconcile explanation and understanding. Research questions of critical realism studies are usually in the form of “What caused the event associated with the phenomenon to occur” (Eaton, 2010:200). This research aims to explore what causes Taiwanese entrepreneurs to exit China and how they make decisions. Therefore, this research question confirms the appropriateness of using critical realist case method.

There are three themes of this research. In general, three themes are critical realism and using retroductive strategy. Retroduction refers to the identification of mechanisms that explains what caused particular events to occur (Blaikie, 2010). According to Blaikie (2010), the inductive strategy aims to establish descriptions of characteristics and patterns of phenomena. Theory-building takes place after data collection and drawing generalization from data. In comparison, deductive strategy begins by putting forward a hypothesis or proposition from a theory and tests it by

gathering appropriate data. For research adopting retroductive strategy, collecting data is likely to be an interactive one. This approach is cutting edge because it continues to ask “why” questions.

For instance, the research question is why do entrepreneurs make international exit decisions? To find out the cause of this event, I analysed the empirical data and identified the role of non-economic value of the firm. Then I asked the next question: why and how does non-economic value of the firm result in this decision? I went back and forth between theories and data to understand the cause of the event.

Theme A begins with a surprising contrast, triggered by the realisation that an observed outcome is different from what had been anticipated. Welch et al., (2011: 748) suggest a new casual factor is in operation or a mismatch between an existing theory and an empirical observation through this strategy, resulting in “re-description” or “re-contextualisation” of the phenomenon. My theory building process indicates a critical realist way of thinking; in this view, theorising is a process not of discovery but of conceptualisation (Sayer, 1992).

4.2.1 Ontological assumptions

Ontology refers to what exists and what is the nature of the reality (Healy and Perry, 2000). This research follows the concepts of critical realism presented by Welch et al. (2011) and Guba and Lincoln (1994), namely post-positivism. Accordingly, there exists a “real” reality but only imperfectly and probabilistically apprehendable (Guba and Lincoln, 1994:109). A critical realist views social phenomena as interpretations by researchers, although knowledge is not exclusively linguistic, however this impact must be account for in the evaluation of scientific knowledge.

Unlike positivism, critical realism makes the distinction between the actual and the real domain of reality. “*We see the tip of an iceberg but that doesn’t mean that the invisible three-quarters is not there or is unconnected to what we see*” (Eaton, 2010: 199). Critical realism uses causal language to describe the world and choose the most satisfactory explanation considering empirical data and existing theories (Morais, 2011). In this thesis, I approach the “real” reality by investigating empirical events. I examine the decision-making of international exit by looking at actual events (Taiwanese entrepreneurs invested in China) among my case firms and discuss

abstract notions that could make sense of what took place. For instance, the non-economic value of the firm and the incident-generated emotions of entrepreneurs make it possible to explain the non-rational decisions (failed to achieve maximum economic returns) of entrepreneurs.

4.2.2 Epistemological assumptions

Epistemology refers to what constitutes knowledge and the criteria of deciding when knowledge is adequate and appropriate (Blaikie, 2010), constrained by ontological assumptions. That is, if the researcher assumes a “real” reality, then the knower must take an objectivist posture. As suggested by Easton (2010), critical realists construe rather than construct the world. As a critical realist researcher, I accept my explanations are interpretive. Critical realism differs from constructivism since critical realist accepts the possibility of knowing the “truth”, albeit provisional and partial. In comparison, the constructivist rejects the possibility of truth and concentrates on uncovering the constructions of making social events and actions.

Since observation is fallible, I examine the same data through the different theoretical lenses (e.g. theories in International Business and Entrepreneurship field), moving back and forth between empirical data and theories and eventually reach a satisfactory interpretation of the phenomenon. Following Easton’s (2010) suggestion, I collected further data and discuss with other researchers. Only by viewing the same data through lenses of different researchers, I can gain an understanding of some of the features of the real world.

4.2.3 Methodology

Methodology refers to how can the inquirer approaches the problem and find out what can be known. Again, this is constrained by ontological and epistemological assumptions. For example, Guba and Lincoln (1994) suggest a real reality pursued by an objective researcher selects a manipulative methodology (e.g. natural experiment), whether the methods are qualitative or quantitative. This implies a researcher’s ability to be objective and a real world to be objective about. They further indicate that the methodology of “critical realism aims to redress problem by investigating in a more natural setting, collecting more situational information and reintroducing discovery as an element in inquiry” (1994:110). Sayer (1992) suggests all these aims require an

intensive research strategy which are typically qualitative techniques including in-depth studies of “individual agents in their casual contexts”. Therefore, case study approach serves these aims well.

Critical realist case study is applied in my research. Case study, according to Easton (2010:119), refers to “*a research method that involves investigating one or a small number of social entities or situations about which data are collected using multiple sources or data and developing a holistic description through an interactive research process*”. Critical realist case study is a more recent development in IB and IE field. Healy and Perry (2000) indicate realism is neither value-free (positivism) nor value-laden (constructivism). Realism researchers are value-aware that consider a participant’s view as a window to reality through which a picture of reality can be triangulated with other perceptions (Healy and Perry, 2000: 123).

Compared to positivist case study addressing the abstract construct or generic phenomenon (facts) (Eisenhardt, 1989) and constructivism focusing on the particular features of the case (values) (Stake, 1995), critical realist case study is prone to instrumental than intrinsic since its ultimate goal is the “*postulation of objective casual mechanism instead of taking subjective accounts of experiences as the point of departure for an iterative and retroductive explanatory effort*” (Danermark et al., 2002: 109). This statement distinguishes critical realism from constructivism and critical theory. Bhaskar (1978) indicates that causalities play a role in this tradition, but it is not merely a search of event regularities; instead, researchers need to go beyond the event to understand the nature of the objects. This statement distinguishes critical realism from positivist, implying that cause-effect relationships do not consistently produce regularities in an open system (Welch et al., 2011).

The next section justifies my selection of multiple case studies and introduces the case selection criteria and process, source of evidence from each case, and critical incident technique matching critical realist way of thinking and providing rich data to answer research questions.

4.3 Multiple Case Studies

The criteria of selecting the case study methodology are the followings: the context of this research, the newness of the topic, the fit between critical realism and the case study design, and the findings from the pilot study.

- 1) The context of this research: Taiwanese entrepreneurs invested in China

How to perform successful internationalization in China has been a topic attracting much attention (Peng et al., 2008). Nevertheless, IB research on China has largely been interpreted from the perspectives of Western institutions since more than 80% of the authors of the most-cited papers are from USA, Canada and European Unions (Tan and Nojonen, 2011). Methodologically, most of these studies apply quantitative rather than qualitative methods. These facts reflect that most of the studies on China are theory testing rather than theory building. China is a testing ground to mainstream theories developed from Western institutions. However, Western assumptions may result in biases due to the distinctiveness of Chinese institutions (Peng and Yuan, 2008); as a result, a more exploratory method is needed. To better understand the business operation in China, case study approach is considered more appropriate for theory building research (Tan and Nojonen, 2011) and hence it is applied in this research.

- 2) The newness of the topic: using entrepreneur as the unit of analysis and studying non-economic variables and emotions.

Why Taiwanese entrepreneurs make international exit decisions is seen as complicated phenomena requesting more than statistical explanation. There is a need to examine these reasons to understand the story of these Taiwanese firms in China. Additionally, I intend to investigate how these firms changed over time in response to fast-changing institutions in China: to understand the dynamic nature international operation in emerging economies (Peng et al., 2008a). However, the existing models of international exit (e.g. Benito and Welch, 1997) do not allow me to fully understand my case companies because they were not developed for the type of firms being investigated. Current models also use organization as the unit of analysis instead of individuals (entrepreneurs).

Since research in international exit and entrepreneurial emotions only emerged recently (Benito, 2005; Cardon et al., 2012), I aim to conduct a theory building research rather than a theory testing one since there is a shortage of individual level analysis and emotional decision-making model. Using multiple-case studies enables me to clarify the process of how entrepreneurs construct and adjust their cognition by emotions and compare the idiosyncratic process of each entrepreneur (Zahra et al., 2005).

- 3) The fit between critical realism and the case study design: see section 0 for discussion

This research addresses Taiwanese firms' internationalization process from the beginning to the end. In relation to the choices made in this research, international exit is a complex phenomenon because it is influenced by entrepreneurs' non-economic variables and their emotions. Different cases can reveal constructs as well as theoretical advances through data triangulation collected from multiple sources. Multiple case studies make it possible to identify the similarities and difference within a collection of cases (Morais, 2011; Welch et al., 2011).

- 4) The findings from the pilot study showed case study approach is an appropriate choice

Hatem (2012) indicates the pilot study guides the methodological choice of the research. The findings from the pilot study showed that the multiple case studies are a suitable choice for its capability of examining the research questions in a bound context (Miles and Huberman, 1994). As shown in my pilot study, the role of entrepreneurs in decision-making is highlighted and the context of emerging economies plays a vital role in shaping entrepreneurs' predispositions and international exit decisions. The case study focuses on "*understanding the dynamics present within a single setting*" (Eisenhardt, 1989: 534), and it is recommended to understand the decision-making process (e.g. Eisenhardt and Bourgeois, 1988; Pettigrew 1992). The case study enables me to take into account the environmental context (Hatem, 2012) that is vital for research targeting on emerging economies (Peng and Yuan, 2008).

The findings from the pilot study also indicated the use of a comparative approach. Multiple case studies are adopted instead of single case study. In my pilot study, two entrepreneurs suggested different definitions of their international exit. This implies the need to replicate this finding by conducting a second, third and even more experiments (Yin, 2009). Multiple case studies enable me to carefully select cases that predict similar/contrasting results to confirm/disconfirm theories.

4.3.1 Unit of Analysis

Although the firm is the main unit of analysis in internationalization studies (Coviello et al., 2011), this study focus on the entrepreneur not organization. McDougall-Covin et al. (2014) indicate the new trend in the International Entrepreneurship (IE) field that shift the research focus from macro environment and organization to decision makers, entrepreneurs. Additionally, Coviello et al. (2011) call for more micro level studies using theories in Entrepreneurship field to IE field. Section 2.3.3 highlights the role of entrepreneurs and the need of individual level research.

4.3.2 Sampling Strategy

Selection of the cases follows sampling strategy, as the case study is purposive and not random (Miles and Huberman, 1994). Eisenhardt and Graebner (2007:27) also suggest that when *“the purpose of the research is to develop theory, not to test it, and so theoretical (not random or stratified) sampling is appropriate”*. Multiple case studies typically yields more testable and robust theories than single case study, and the choice is based more on the contribution to the theory development than on the uniqueness of a given case (Eisenhardt and Graebner, 2007). The theoretical reasons including replication, extension of theory, contrary replication and elimination of alternative explanations (Yin, 2009). The sampling strategy of this qualitative research is therefore purposive and theory-driven. Following Hatem’s (2012) theoretical sampling strategy, Table 4-3 below is the summary of the selection criteria.

The first criterion reflects the research questions and context. The second criterion is to highlight the influence of entrepreneurs’ variables and emotions on decision-making. This research examines individual (entrepreneur) instead of group decision-making and only targets on privately owned foreign ventures rather than international joint ventures. In addition, Mata and Portugal (2000) indicate firm’s entry mode

affects its international exit decision. To eliminate alternative explanations of international exit and ensure the centrality of entrepreneurs, the second criterion is set. The third criterion is suggested by CIER (2012) since some Taiwanese entrepreneurs invest in foreign countries for financial management and tax avoidance. This research only targets those interested in doing business in China.

Sample selection criteria		
Criteria	Choice of criteria is based on	Justification
Taiwanese entrepreneurs invested in China	Research question and research context	The nationality of entrepreneurs and their investment profiles
Firms should enter into China by foreign direct investment- The venture is fully owned by the entrepreneur and the entrepreneur is the key decision maker	Mata and Portugal (2000), entry mode and international exit	Indicates case companies internationalising into China and the influence of firm's entry mode on international exit
	Doern and Goss (2014), the centrality of entrepreneurs	Indicates the influence of entrepreneurs' variables and emotions on decision-making.
Firms should have strong financial supports, attractive business ideas and strategies. In other words, entrepreneurs should commit in their Chinese operations.	CIER (2012)	Enables identification of entrepreneurs invested in China for doing business instead of tax avoidance.
For exit cases, firms should exit Chia after 2011 and before 2017. Firms should be completely closed or sold.	Patton (2002) Pilot study	Enables identification of critical cases
	Benito and Welch (1997)	Enables identification of exit cases instead of divestment cases
For stay cases, firms have no exit plans for the next 5 years.	Porter (1980); Turcan (2006)	Indicates exiting China is not the short, medium and long-term plan for stay cases

Table 4-3: Sample selection criteria, source: author

The fourth criterion is because of recent significant fluctuation of Chinese investment environment and the shift of Taiwanese entrepreneurs' motivations. The two facts are suggested in CIER (2012) and findings from the pilot study. Patton (2002) states that this timeframe acts as a "critical case". I excluded 2 old cases that exited in 2000 (Firm X) and 2003 (Firm Y) since they did not match the fourth criterion. The fifth criterion is to ensure entrepreneurs of stay cases have no intention to exit China.

Western companies in general are more open to academic research and often provide access to researchers. Whereas Chinese companies are less willing to offer research access for fear of leaking sensitive information to public and competitors (Tan and Nojonen, 2011). Case selection in China and Taiwan is a matter of relationships (Tan and Nojonen, 2011). Therefore, utilizing personal networks is an effective strategy to gain access to company. Additionally, using personal networks such as family and

work connections can enhance trust between interviewees and the researchers. Interviewees may become more open to discuss their experiences.

Shepherd et al. (2009) suggest exit is a grief and negative event for entrepreneurs. This fact significantly reduces entrepreneurs' willingness of participating in the research. To overcome this problem, a snowballing sampling strategy is employed (Turcan, 2006) through the recommendation of personal networks. This approach encourages entrepreneurs to be more open about the topic (Tan and Nojonen, 2011). The snowballing strategy helps identify significant cases from those who know the "right" people and information-rich cases. (Patton, 2002). Moreover, with a reference (usually from a friend, business partner or an employee of the entrepreneur) or a personal network, entrepreneurs are more open to discuss their international exit decisions since they know the researcher beforehand.

The company profiles of selected cases are presented in Table 4-4.

Firm	Peak number of employees	Previous experience in China	Entry mode	Entry time	Exit time	Investment (£)
A	200+	No	FDI	2001	2017 (est)	400,000+
B	70+	No	FDI	1992	2015 (est)	Confidential
C	120+	No	FDI	2005	2011	800,000+
D	100+	No	FDI	2009	2013	120,000+
E	20+	Yes	FDI	2009	2012	140,000
F	1000+	No	FDI	1999	Stay case	Confidential
G	20+	Yes	FDI	2011	Stay case	40,000

Table 4-4: Information of case companies, source: author

Based on the sampling strategy, I identified 6 exit cases and 2 stay cases. However, one of my interviewees withdrew interviews (Firm Z). In the end, I had 5 exit cases and 2 stay cases (see Table 4-4). The interviewees included entrepreneurs (owner-managers), business successors (entrepreneurs' children), managing directors, department managers, business partners, entrepreneurs' family members, business partners and friends who have the in-depth understanding of internationalization, operations and the reasons of international exit (see Table 4-5).

Firm	Intervi wees (times)	Entreprene ur, successor (times)	Employees, family members, friends or business partners	Financial records, market shares or annual reports	Press release and video	Websites	Meeting minutes and/or others
A	6(8)	Entre (3)	5	X		X	X
B	3(5)	Entre (2) Successor (1)	2	X	X	X	X
C	3(4)	Entre (2)	2	X		X	
D	3(4)	Entre (2)	2	X	X	X	X
E	4(5)	Entre (2)	3	X	X	X	
F	3(4)	Entre (2) Successor (2)	2	X	X	X	X
G	3(4)	Entre (2)	2	X			X

Table 4-5: Source of evidence from each case firm, source: author

4.4 Data Collection

I collected both primary and secondary data. Primary data was gathered from in-depth interviews and the secondary data come from companies' financial reports, press releases and archives. Although I investigate the relationship of non-economic variables and emotions on decision-making, this is an IE study not a psychological or neuroscience study. Therefore, following Brundin (2002) and Doern and Goss (2014), I investigated entrepreneurs' mind-set and emotions through face-to-face interview rather than conducting a psychology experiment or testing entrepreneurs' reactions by equipment.

4.4.1 In-depth interview

Face-to-face semi structured interview is regarded as the most popular method to collect primary data (Welch et al., 2002; Welch et al., 2011). This research explores the entrepreneurs' non-economic variables and their emotions and I collected relevant data through contacting entrepreneurs, managers and business partners in the seven cases. Qualitative interviewing collects primary data, which is not recorded and available in other places (Soulsby, 2005). Besides, interview is beneficial to explore a new area or uncover implicit information, for instance, people's value and belief (Welch et al., 2002).

4.4.1.1 Elite interview and access to case companies

Our interviewees are the “elite” of companies, those who have impact on important strategic decisions (Smith, 2006). Corporate elites usually prefer to communicate with people directly rather than filling a survey, joining focus group, or participating experiments (Kvale, 1996). In addition, face-to face interview ensures that the information is obtained from the expected person but not from secretary or less involved persons.

It is a challenging process to gain access and to select appropriate number of informants, even more difficult to find entrepreneurs willing to talk about their exit experience. In general, I used two ways to gain access to my case companies. Firstly, my personal network and working experience allow me to gain access to Firm X, A and B. The three entrepreneurs then kindly introduce me to Firm C, G and Y. Although Firm Y was not selected for sampling criteria, the entrepreneur sent me to Firm D and the entrepreneur of Firm D sent me to Firm E (snowballing strategy as shown in section 4.3.2). Additionally, I sent cold emails to possible case firms and gained access to Firm F and Z (drop due to limited access).

To make informants (particularly entrepreneurs) reveal as much as possible. I tried to build a rapport with them before the interview. I have a great advantage from my previous job in my family business, which has operated in China for more than 20 years. The network of my family business and my pre-understanding of the “realities” of operating in Chinese is helpful in creating the trust. My experience and knowledge of investing in China also enable me to use the “keywords”, inviting entrepreneurs to talk more about sensitive topics (e.g. bribery). For example, to collect their predispositions to China, I usually begin with sharing my experience in China and asking for their comments. In addition, I know some entrepreneurs for many years (e.g. Firm A, B) or heard their stories before (e.g. Firm C, G). The friendship and my pre-understanding of their business made the entrepreneurs more willing to reveal their “secrets”, share the emotional side of the story and be honest with me.

4.4.1.2 Location, time and the choice of language

Kvale (1996) and Mason (2002) argue that the location of interview will affect the interviewees’ attitude and their answers. The location of interview is carefully

selected to avoid the interruption of family, colleagues and other people (Healey and Rawlinson, 1993). Interviewees may feel stressful in an isolated room while they may be distracted in an open place (Mason, 2002). All people have their own preference of locations. Thus, I consulted interviewees' preference before choosing the venue of interview in order to build up a relaxing and comfortable atmosphere. All the interviews took place in the location entrepreneurs suggested to maximize their degree of openness (Harvey, 2010). The interviews, including follow-up interviews, took place from August 2012 to September 2014. Table 4-5 summarizes detailed interview arrangements by case firms. The first round interviews were face-to-face ones. Due to the time limit and financial constraints, a number of follow up interviews were conducted through phone or Skype. It took between 120-180 minutes to interview each entrepreneur, between 30-90 minutes to interview others.

The choice of language in which to conduct interview is Chinese. Marschan-Piekkari and Reis (2004) recommend the language used should be for participant advantage since it provides a more comfortable environment, which can affect the dynamics of the interview situation. Due to language differences, some of interviews cannot readily be translated into English, particularly those entrepreneurs using Confucianism terms or Taiwanese dialect to describe their experience in China. To minimise this problem, I asked these entrepreneurs to define the meaning of the word and consult the particular sentence with experts who have in-depth understanding of Taiwanese dialect, Chinese language and English translation.

To translate the transcript from local language (Chinese) to English, I follow Skofos theory suggested by Reiss and Vermeer (2014) that translation is a form of communicative interaction rather than a narrow linguistic transfer. I focus on the meaning not the literal transfer. The role of the translator is regarded as a cross-cultural expert aiming to achieve functionally adequate in target culture instead of technician faithful to the original (Chidlow et al., 2014). As argued by Reiss and Vermeer (2014), it is not possible to produce a target-language text that is fully equivalent in all its features due to cultural and linguistic difference. By applying Skopos theory in translation, meaning is ultimately cultural in nature (Chidlow et al., 2014). It is unavoidable to change its value when transmitted from Chinese (Taiwanese) culture to English culture.

4.4.1.3 Using Critical Incident Technique in interview and interview instruments

Vygotsky (1997) indicates that decision-making is to learn from previous decisions. This means that the past shapes the future. To capture critical past events that result in international exit decisions, I employed Critical Incident Technique (CIT) developed by Flanagan (1954) to conduct the face-to-face interviews. This technique has been used in Turcan's (2006) de-internationalization study of high-tech SMEs and Cope's (2006) entrepreneurial learning research.

Insights gained from the pilot study suggested the use of CIT (Critical Incident Technique). During the interview, entrepreneurs found difficult to recall detailed memory in relation to internationalization. They required the researcher to describe the circumstances or give a keyword. Additionally, the experiences they described were mostly significant for themselves or firms. The findings from pilot study suggested an unstructured interview is inappropriate for data collection. Entrepreneurs need instructions and keywords to improve their memory recall processes. CIT is frequently used to collect data based on previous experience reported from memory. A critical incident is an important event for entrepreneurs but not necessarily a dramatic one. It may elicit emotions and trigger changes to entrepreneurs' mind-set and make them reconsider and re-evaluate the foreign investment. CIT allows the researcher to collect data from entrepreneurs' perspectives and identify rare incidents (Cope and Watts, 2000). Furthermore, it increases the accuracy of data since the perceived criticality of the incident makes entrepreneurs easier and better to recall their memories (Turcan, 2006).

CIT collects information such as the cause, process and outcome of critical incident, as well as the feeling and perception of incidents and changes in response to incidents (Flanagan, 1954). CIT relies on self-report and memory. To ensure the accuracy and authenticity, the guidance of CIT in Flanagan (1954) has been strictly followed to design interview instruments. Use of statement such as "Think of the last time you experienced something significant...", "I wonder if you could think of..." and a brief description of the circumstances also helped entrepreneurs to recall their memory.

Cope and Watts (2000) indicate that it is more important to study critical events than crisis. Finding positive critical incidents are as important as negative critical incidents since both have an impact on decision-making process. Questions emerged from the

conversation itself is considered to be the most powerful way of collecting insights from people’s experience (Cope and Watts, 2000). Therefore, the interview should be relatively unstructured allowing entrepreneurs to self-report their salient moments by asking general questions like “How did it (critical incident) happen? ...How did you feel...What you did...?” Moreover, I try to be a good listener during the interview that allows entrepreneurs to do most talking.

4.4.2 The process of data collection

Interview	Informant	Purpose	Theme A	Theme B	Theme C
First round	Entrepreneurs	Understand why entrepreneurs make international exit decisions, using critical incident approach	Negative Predispositions (B, C) Positive predispositions (E, G) Family (A, B, E, F, G) Personal goals (A, B, D, E, F, G)	Passion (A, B, D, E, F, G) Confidence (A, B, C, D, E, F, G), Anger (A, B, C, D, E, F, G) Disgust (B, C), Fear (B), Empathy (F)	X
Second round	Other informants	Based on critical incident table checked by entrepreneurs, ask other people to re-describe each critical incident to verify the data. Data triangulation	Positive predispositions (D, F) Personal goals (C)	Fear (A, C, D, F) Empathy (D, G)	Outcomes
Third round	Entrepreneurs	Compared first and second round data, ask entrepreneurs to verify the data and finding.	X	Empathy (A, E) Fear (G)	Learning and outcomes
*Fourth round	Firm A entrepreneur and his family and staff	Collect new data	Positive predispositions (A) Family (A) Personal goal (A)	Disgust (A) Fear (A)	Learning and outcomes
Others (see Table 4-5)	Entrepreneurs and other informants	To follow up and verify the data.	x	x	x
*Note: Firm A decided to exit China after the third round interviews. Firm A has 4th rounds interview to collect up-to-date information.					

Table 4-6: the process of collecting data, source: author

As shown in Table 4-6, firstly, I interviewed the entrepreneur of each firm. They were asked to recommend at least two informants who would have in-depth knowledge of the studied phenomenon. The recommended interviewees participated in second

round interviews. The third round interview was usually over the phone with entrepreneurs, discussing any mismatch data of the first and second round as well as any new themes or variables identified by the second round interview. The process continued until entrepreneurs and other informants achieved a mutual agreement of critical incidents. Table 4-6 presents data and themes emerged from different stages of data collection.

Interestingly, some variables including personal goals (gaining face) and emotions (fear and empathy) did not appear in the first round interviews with entrepreneurs, but indicated by other informants. Entrepreneurs agreed with other informants' viewpoints only in the third round interviews. The reason may be, according an entrepreneurs' partner, entrepreneurs feel ashamed to admit their fear.

4.4.3 Data triangulation

Subjectivity is inevitable in CIT since it is based on entrepreneurs' memories and researchers' interpretation of the data (Cope, 2011). To maximise the data validity, I strengthened the grounding of theory by triangulation of evidence (Eisenhardt, 1989). Firstly, Blaikie (2010) indicates that memory can be fallible but Flanagan (1954) argues individual can recollect with high accuracy critical events. To minimise the effect of retrospective bias, three rounds of interviews were conducted with different informants. The critical incident table was firstly checked by entrepreneurs and then reviewed by other informants in the second round interviews. Entrepreneurs reviewed the revised critical incident table in third round interview. This process continues until entrepreneurs and other informants agree on the table.

Entrepreneurs explicitly reported most of emotions and variables in the critical incident table. Other informants suggested about 30% of emotions and variables, but entrepreneurs agreed with them at the later stage. For most emotions we have come to a mutual agreement. Some emotions were denied thus were requested to change by entrepreneurs. I also ignored some of the denials when other evidence strongly suggested otherwise.

Additionally, access to materials related to the firms provides data triangulation (see Table 4-5). Data were collected during interviews, websites, company archives, press

release, meeting minutes and annual reports in order to ensure data triangulation. Table 4-7 above shows examples of data triangulation.

<p>Example 1: Firm C Critical incident: CC7 Individual variable: negative predispositions to China Emotion: Disgust Source: Entrepreneur, General manager, Entrepreneurs' business partner</p>	<p><u>Entrepreneur:</u> "Entering China is a big mistake. It's a waste of money and time.... It was so unpleasant to run a business in China, I can't do it anymore" "Yes I never like Chinese. They take advantage on Taiwanese, you heard what they called us, Taiwan, the province of China... Also, I heard too many stories about how Chinese steal the company design, money even the ownership. Chinese people are just like their government" <u>General manager:</u> "My boss doesn't like Chinese government, so whatever happen, he blames on the government, which makes things worse" <u>Entrepreneurs' business partner:</u> "We all know he wouldn't stay long in China, he is green party (Taiwan independence supporter). Usually they can't survive in China or never go to China. They hate China and always think pessimistically, how can they succeed in China?"</p>
<p>Example 2: Firm D Critical incident: CD7 Emotions: Passion and Confidence Individual variable: personal goals Source: Entrepreneur, Entrepreneurs' wife, Entrepreneurs' notebook, press release</p>	<p><u>Entrepreneur:</u> "I plan to open bakery chains in China... I see opportunities.... I am very excited...." "I am always confident about my product, maybe too confident..." <u>Entrepreneurs' wife</u> "My husband is very confident and optimistic about his investment, although he doesn't make any money. He spent more than 20 years in cake and pastry. I know he is looking for another chance to prove himself..." <u>Entrepreneurs' notebook:</u> A list of successful bakery in China and more than 50 pages of investigation and interview transcript with successful entrepreneurs about how to operate a bakery in China. <u>Press release:</u> An article showing the entrepreneurial process of the entrepreneur and his next plan (bakery).</p>

Table 4-7: Example of data triangulation, source: author

4.5 Data Presentation

There are four stages to assemble the finding and analysis: finding gathering and presentation, within case analysis, cross case analysis, and comparison of finding with current literature. This section details the forms of data presentation.

Table 4-8 shows different forms of data presentation. Firstly, the story of each case company is presented in chronological order in critical incident tables in Appendix C. Following Turcan (2006), critical incident table presents what happened, when it happened, how the entrepreneur felt, what actions the entrepreneur took and entrepreneurs'/other people's description of this critical incident. To answer the subsidiary research questions of each theme, Chapter 5 will present the story of each

entrepreneur and firm by showing the company profile and organizational structure. Guided by the thematic within case analysis and drawn from critical incident tables, the individual variables resulting in critical incidents (Theme A), emotions and actions (Theme B) are presented in table format in each case. Finally, entrepreneurs' definition, reasons and outcome of international exit are described in each case, to provide the information for Theme C. A detailed description of data presentation in each case is discussed in section 4.6.1.

Display format: texts and figures	Display in	Focus on
Company profile and organizational structure, the first section in each case	Chapter 5, the first section of each case	Why entrepreneurs entered into China and entrepreneurs' personal background
Entrepreneurs' definition, reasons, and consequence of exit	Chapter 5, the last section in each case	Why entrepreneurs exit China and the outcomes of international exit.
Display formats: table	Display in	Focus on
Company basic information,	Table 4-4	Peak number of employees, previous experience in China, entry mode, entry time, exit time, investment (£)
Critical incidents in chronological order,	Appendix C	Critical incidents suggested by entrepreneurs
Individual variables	Chapter 5, the second section of each case	What individual variables (predispositions, family, personal goals) result in critical incidents and why?
Three incident-generated positive emotions and actions	Chapter 5, the third section of each case	How entrepreneurs feel about critical incidents (passion, confidence, empathy) and what actions they take?
Three incident-generated negative emotions and actions	Chapter 5, the fourth section of each case	How entrepreneurs feel about critical incidents (fear, anger, disgust) and what actions they take.

Table 4-8: Data presentation, source: author

4.6 Data Analysis

The case studies were analysed using both within-case and cross-case methods as recommended by Miles and Huberman (1994). The method used in data analysis was content analysis of interview transcripts and secondary data with coding categories derived from CIER reports and mainstream IB, IE and Entrepreneurship literature. The main objective is to minimize the evidence bias by source-by-source and case-by-case data triangulation (Table 4-7). During the process of data analysis, I sought advice from industrial experts and other researchers with different personal, national, cultural and professional backgrounds (e.g. the chairperson and members of Taiwanese entrepreneurs association in Nanjing and researchers in Taiwan National

Cheng Kung University). Guided by the elements derived from the literature, pilot study, CIER reports and theoretical framework, I went back to the research site collecting more data until epistemological closure (Eaton, 2010), and revisited the transcript, for the primary data coding until few new insights occurred (Miles and Huberman, 1994).

Data reduction is the first step of the data analysis, “*Data reduction is not something separate from analysis... (It) is a form of analysis that sharpens, sorts, focuses, discards, and organizes data in such a way that “final” conclusions can be drawn and verified*” (Miles and Huberman, 1994: 11). The data were selected, processed, and simplified by writing a detailed case history of each firm (critical incident table). Organizing incoherent aspects in chronological order is a crucial step to reveal the relationship between events (Pettigrew, 1990). This approach allows me to uncover the shift of entrepreneurs’ goal, non-economic value of the firm, entrepreneurs’ response to rapidly changing institutional environment in China, and the process of making exit decisions. The sub-topics of the identification and categorization derived from the research questions. This research employ both deductive and inductive coding phase (Eaton, 2010). Codes were added until a more appropriate explanation of the identified entrepreneurs’ behaviour emerged. Data coding includes content analysis of primary data (interview) and secondary data (archives, email, press release etc.). The structure and variables of theoretical framework were retained, modified, deleted, or added with the empirical evidence.

Data displays are the second step of analysis. The relevant data were collected in graphs, charts and within tables using Microsoft words or excel. Each case company is presented with four tables suggesting the reasons of entry, positive emotions and actions, negative emotions and actions, and reasons and definition of exit (Table 4-8). These tables and figures help with data organization, comparison and categorisation (Miles and Huberman, 1994).

The following section presents the process and techniques of within and cross-case analysis. The seven cases were firstly analysed individually in order to comprehend their complexities and originality while cross-case analysis allowed me to go beyond initial impressions through the use of structured and diverse views on the data (Eisenhardt, 1989).

4.6.1 Within Case analysis

Within-case analysis involves detailed case study write-ups for each site. These write-ups are used for explanation, description and prediction. The overall aim is to analyse each case as an entity and allows the unique patterns of each case to emerge before cross-case analysis (Eisenhardt, 1989). Following Krippendorff (2012), the content analysis researcher, I use the following steps for within case analysis: (1) Using excel and Nvivo as supporting tools to take notes when interesting information is found in transcripts and secondary data. (2) List the finding and categorise with different display formats. (3) Try to find a linkage between categories and my research questions/themes. (4) Compare and contrast categories. (5) Repeat this process in each case (6) Review all the categories and find out whether some categories can be merged or if some need to be sub categorised. (7) Revisit the transcript to ensure all the information that need to be categorised has been done so. The coding rules of individual variables, emotions, and actions are presented in the Appendix B.

As the volume of the data was large, I was guided by the thematic within-case analysis suggested by Miles and Huberman (1994), Table 4-8 shows the display formats. The selection of display formats depends on what I try to understand. Each display format provides information for research themes for cross case comparison. Following the critical incident table, the evolution of entrepreneurs' goals, emotions, predispositions and actions has been captured. All the critical events in internationalization were illustrated in critical incident table. Direct quotes were used to support my findings and to illustrate the "*underlying phenomena*" which this study was attempting to examine and discuss (Sinkovics and Ghauri, 2008:695).

In Chapter 5, information is presented in-details and is primarily descriptive following Eisenhardt's (1989) suggestion. This approach allows me to become familiarise with each case and examine each case as "standalone entity" before generalising cross-case patterns.

4.6.2 Cross case analysis

Within each case, a network of coding patterns started to emerge when all relevant patterns were integrated sequentially. This process allows me to understand the unique pattern of each case and generalise them across the cases (Huberman and Miles, 1994). I employed different lenses to examine the data and followed

suggestions from industrial experts and Taiwanese experts in this area to make good cross-case comparisons. Dimensions of each theme are suggested by subsidiary research questions and literature, and CIER reports. The cases were then paired on the post-entry strategy (exit or stay), entrepreneurs' goals, predispositions, family, entrepreneurs' emotions and actions to observe the similarities and differences. Finally, data from different sources and types (e.g. entrepreneurs' and managers' opinions) are divided and compared to exploit the unique insights (Eisenhardt, 1989).

To present the cross-case analysis, I use cross-case tables and figures to illustrate entrepreneurs' non-economic variables, emotions and actions. Cross-case tables are considered to be one of the finest ways to interpret a core concept because its unique nature can be highlighted in different contexts (Miles and Huberman, 1994). For example, for examining how entrepreneurs' emotions shape their actions, I located emotions and actions of each critical incident in the table and looked at each row and column to explore the linkage between emotions and actions. The actions and emotions are categorised into different types (Appendix B). To draw conclusions, I calculated how many times each emotions shape certain type of actions. These steps help to see the patterns from the cross-case analysis. To give an example, the next section shows how I collected, triangulated, categorised, coded, compared and presented the data in Theme B.

4.6.2.1 Theme B: Entrepreneurs' emotions and actions-an example

Theme B investigates entrepreneurs' incident-generated emotions and how emotions shape actions. I coded the transcripts according to the following questions as suggested by Doern and Goss (2014): (1) How do entrepreneurs feel in each critical incidents? (2) What positive/negative emotions are frequently appeared and how these connected to entrepreneurs' decision-making? (3) What actions, if any, are connected with these emotions? In this research, all emotions refer to incident-generated emotions instead of mood. Emotions are generated by critical incidents of the international entrepreneurial process and they are entrepreneurs' remembering emotions instead of experiencing emotions. That is, emotions in this research is the one that entrepreneurs remembered instead of what they really experienced since Kahneman (2011) suggests remembered emotion is the one that affects decision-making (see section 4.7.3 for further discussion).

Entrepreneurs may generate more than one emotion in a critical incident. In this situation, I did not try to separate emotion by emotion since entrepreneurs' emotions were intertwined and one action could be the result of several emotions. Alternatively, I followed Doern and Goss's (2014) suggestion and asked entrepreneurs to re-describe each emotion and explain how it related to the action taken in detail. Then I consulted with other informants who have in-depth knowledge of the critical incident to confirm the finding. This process continued until entrepreneurs and other informants all satisfied with the critical incident table. In some complicated cases, I reviewed the emotions and actions taken with other researchers and consulted with literature before any kind of agreement could be made.

One limitation of such an approach is the risk of attribution error that entrepreneurs may attribute the action to other emotions to protect their self-image or self-esteem. Although such biases cannot be completely avoided, the detailed nature of the interview and the data triangulation-in particular, the interview with other informants who are familiar with entrepreneurs and their internationalization processes-make an artificial story difficult to sustain (Doern and Goss, 2014).

The categorization of Positive and negative emotions

After within and cross case analysis, six emotions were identified from my data since they were the most frequently appeared emotions and connected to entrepreneurs' decision-making in internationalization. The categorization of six emotions was based on PANAS-X (Positive affect and negative affect) scales developed by Watson and Clark (1999) and the prototype analysis of the emotion by Shaver et al.(1987). The prototype analysis is the classic measurement of positive and negative emotions. Shaver et al. (1987) measure and define 213 emotions and categorise them into six basic level categories: love, joy surprise, fear, sadness, and anger. In comparison, PANAS-X scale is designed for self-report responses and suggests eleven specific types of emotions: fear, sadness, guilt, hostility, shyness, fatigue, surprise, joviality, self-assurance, attentiveness, and serenity. Additionally, it has been used in studies measuring Chinese emotions (e.g. Yik and Russell, 2003, see Table 4-9). Since there is no agreement on a formal definition of the emotions (Shaver et al., 1987), PANAS-X and prototype analysis are both adopted to categorise my six identified emotions.

This research investigates six emotions: passion, confidence, empathy, anger, fear and disgust. The categorizations and definitions of each emotion are summarised below. Detailed definitions and coding rules are shown in Appendix B.

Passion

Passion is the first emotion identified from my data. Six entrepreneurs felt passionate in their international entry and five entrepreneurs continuously identified passion in internationalization. Cardon et al. (2009) define passion as an intense positive emotion relating to a diverse range of positive emotions such as pride, love, enthusiasm and joy. In prototype analysis, passion is a positive emotion under love category. Although passion is not found in PANAS-X scale, emotions under the joviality category including joy, excitement, enthusiasm, and energy are all part of passion (Bird, 1989; Cardon et al., 2009). Thus, it is agreeable that passion is a positive emotion.

Confidence

Confidence is an important and frequently appeared emotion in my data. All entrepreneurs felt confident in internationalization particularly in increasing commitment and opportunity pursuit. Dimov (2010) defines confidence as entrepreneurs' belief in the venture and their own abilities. In prototype analysis, confidence is not shown in the six basic categories but Shaver et al. (1987) suggest a loving person tend to feel self-confident. It is a positive output of love. In PANAS-X scale, confidence is a positive emotion under the category of self-assurance. Therefore, confidence is viewed as a positive emotion in my research.

Empathy

Empathy involves internalising the frame of reference of another (Triandis, 1980). Although two of my entrepreneurs did not feel empathy in internationalization, other entrepreneurs highlighted it. They view empathy as the most important emotion that enables them to adapt, learn and survive in China. Both prototype analysis and PANAS-X scale do not measure empathy. The reason could be that empathy is a recently found emotion and scholars sometimes confuse empathy with sympathy (Gladstein, 1983). Following Gladstein (1983) and Krznaric (2014), I used entrepreneurs' willingness of doing things, of putting themselves in other people's

shoes, of learning, of improving the situation to portrait an empathetic entrepreneur and distinguish empathy from sympathy. My informants used a Chinese term to describe this emotion, and empathy is the closest match based on their description after translation. Empathy and sympathy both have the meaning of recognition of other person's suffering; however, instead of recognizing and comforting the suffering, empathetic entrepreneurs tend to do something to improve the situation. For example, an entrepreneur restructured the organization the meet Chinese staff's requirements. Thus, empathy is a more appropriate term to describe the emotion when entrepreneurs recognize, learn, understand, and act to help with others' difficulties.

Empathy is not mentioned in both scales. Shaver et al. (1987) suggested empathy usually come with/after sadness since people show empathy to others suffering. However, a more recent study Hendler and Shamay (2012) argue individual can be empathic to other people's joy. Accordingly, Bernhardt and Singer (2012) indicate empathy should not be view as a negative emotion. It is a relatively neutral emotion. The category of empathy is debatable; however, recent organization studies often view empathy as a positive emotion since it is positive to organizational learning and receptivity to changes (e.g. Huy, 1999; Kinder et al., 2014). Therefore, empathy is categorised as a positive emotion in this research.

Fear

Six out of seven entrepreneurs felt fear in internationalization. This emotion is usually connected with institutional problems in China. Welpel et al. (2012) define fear as a typical negative and an avoidance-oriented emotion signals threat and the incapability to control the situation. In prototype analysis, fear is a negative emotion and one of six basic level categories. Shaver et al. (1987) indicate fear comes in two major forms: horror and anxiety. They suggest it is difficult to distinguish between the two forms, thus this research view both horror and anxiety (worries) as fear. Fear is also a basic negative emotion in PANAS-X scale and it is being afraid, scared, frightened, nervous, jittery, and shaky. As a result, fear is viewed as a negative emotion in my research.

Anger

Anger has been found when the self has been offended or injure; additionally, another person (not the self) should be responsible for this negative event (Lerner and Tiedens,

2006). All entrepreneurs felt angry after international entry. Angry entrepreneurs seem to have more strength to deal with adverse situations. In prototype analysis, anger is a negative emotion and one of six basic level categories. There are other emotions under anger category including irritation, exasperation, disgust and envy. But anger in this thesis only refers to its core definition, rage. Other subcategories such as envy and exasperation are excluded and disgust is discussed separately. Anger is under hostility category in PANAS-X scale. It also appears in guilt category in the form of angry with self. This thesis only discusses angry at others/external forces, thus anger is a negative emotion under hostility category. In summary, anger is viewed as a negative emotion in my research.

Disgust

Although not all the research's entrepreneurs felt disgust in internationalization, this emotion is strongly connected with their international exit decisions. Entrepreneurs kept referring to their disgust of host country or certain events and connected it with their exit decisions. Rozin et al. (2008) define disgust as a defensive mechanism to avoid psychic incorporation or further contacts with a repellent object. In prototype analysis, disgust is under the anger category and viewed as a basic negative emotion. Disgust usually comes with anger, but it can be distinguished from anger by the strong feeling of hate (Shaver et al., 1987). Anger is under hostility category in PANAS-X scale. It also appears in guilt category in the form of disgusted with self. This thesis only discusses disgust with others/external forces, thus disgust is a strong negative emotion under hostility category. In summary, disgust is viewed as a negative emotion in my research.

The definition and coding rules of the six emotions are shown in Appendix B. Entrepreneurs described critical incidents, and emotions were identified when entrepreneurs stated the keywords. I wrote down the stated emotions and confirmed with the entrepreneur in the end of the interview. Moreover, I showed the critical incident table to other interviewees in the second round interviews. Each incident-generated emotion was triangulated by other source of evidence. Other emotions such as determined, tired, relaxed, amazed, ashamed, lonely were also mentioned by some of informants but excluded in Theme B since they were not found in other cases or

less relevant to decision-making in internationalization. These emotions may be investigated for future research.

General dimension scales	
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
Basic negative emotion scales	
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
Basic positive emotion scales	
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	

Table 4-9: Item composition of the PANA-X scale, source: Watson and Clark (1999: 2)

4.7 Reflections on the appropriateness of this research

Healy and Perry (2000) suggest six quality criteria for case study research within the realism paradigm in business field (see Table 4-10): ontological appropriateness, contingent validity, multiple perceptions of participants and of peer researchers, methodological trustworthiness, analytic generalisation, and construct validity. Using this table, this section discusses the appropriateness of this research in terms of its research design.

4.7.1 Ontological appropriateness: internal validity

Considering ontological appropriateness, the research investigated the complex social phenomena involving “*reflective people*” (Healy and Perry, 2000: 121). My research question: “*why and how Taiwanese entrepreneurs invested in China make the decision of international exit*” is consistent with the typical form of critical realist

research: “*What caused the events associated with the phenomenon to occur*” (Eaton 2010: 19) and the criteria in Table 4-10. The decision-making process of international exit is a complex phenomenon involving multiple influences; an in-depth understanding should be obtained through collecting people’s narratives in the sense that they recall past events critically (e.g. listing critical incidents) and discuss them with the researcher and other people in the firm (Kontinen, 2011).

In contrast to positivism researchers’ view that the world is a laboratory in which direct cause and effect paths can be created, a critical realism researcher is dealing with open fuzzy boundary systems and discovering knowledge of the real world by naming and describing the generative mechanisms (Bhaskar, 1978). To achieve the contingent validity (internal validity) suggested in Table 4-10, I focus on answering in-depth and mostly how and why questions. The context of each case and critical incidents were describes as fully as possible to increase the contingent validity.

The contingent validity is also called internal validity (e.g. Yin, 2009; Miles and Huberman, 1995). It is related to the casual relationship between variables and results. Yin (2009:42) indicates researchers may “incorrectly conclude that there is a casual relationship between X and Y without knowing that some third factor Z may actually have caused Y.” This issue is particularly important for this research since I am searching for the casual relationship. To enhance the internal validity, firstly, I reviewed 136 articles in international exit and identified most of external factors beforehand (Appendix A). Secondly, I developed a clear research framework (Figure 3-3), compared patterns found in this research with those in literature (literature in Chapter 3), triangulated the data (Section 4.4.3), and compared with rival explanations to establish internal validity in addition to thick description. To enhance the internal/contingent validity of this research, information summarized in Table 4-11 was followed through the data analysis.

a	Developed for this paper (i)	Brief description of criteria for this realism research (ii)	Case study techniques within this realism paradigm (iii)	Criteria for case research (iv)	Criteria for constructivist or naturalist research (v)	Criteria for qualitative research (vi)	Criteria for positivism research (vii)
b	<i>Major author/s</i>			Yin (1994)	Lincoln and Guba (1985)	Miles and Huberman (1994)	Chia (1997); Neuman (1997)
c	<i>Ontology</i>						
	1 Ontological appropriateness	Research problem deals with complex social science phenomena involving reflective people (world 3 in Magee (1985))	Selection of research problem, for example, it is a how and why problem		(World 2 in Magee (1985))		(A single tangible reality consisting of discrete elements (World 1 in Magee (1985)))
d	2 Contingent validity	Open "fuzzy boundary" systems (Yin, 1994) involving generative mechanisms rather than direct cause-and-effect	Theoretical and literal replication, in-depth questions, emphasis on "why" issues, description of the context of the cases	Internal validity	"Truth value" or credibility	Internal validity/credibility/authenticity	Internal validity
e	<i>Epistemology</i> 3 Multiple perceptions of participants and of peer researchers	Neither value-free nor value-laden, rather value-aware	Multiple interviews, supporting evidence, broad questions before probes, triangulation. Self-description and awareness of own values. Published reports for peer review		Neutrality or confirmability	Objectivity/confirmability	Value-free, one-way mirror (Guba and Lincoln, 1990)
f	<i>Methodology</i> 4 Methodological trustworthiness	Trustworthy – the research can be audited	Case study database, use in the report of relevant quotations and matrices that summarise data, and of descriptions of procedures like case selection and interview procedures	Reliability	Consistency or dependability	Reliability/dependability/audibility	Reliability
g	5 Analytic generalisation	Analytic generalisation (that is, theory building) rather than statistical generalisation (that is, theory-testing)	Identify research issues before data collection, to formulate an interview protocol that will provide data for confirming or disconfirming theory	External validity through the specification of theoretical relationships, from which generalisations can be made	Applicability or transferability	External validity/transferability/fittingness	
h	6 Construct validity		Use of prior theory, case study database, triangulation	Construct validity			Construct validity
i							External validity, that is, statistical generalisation
j						Utilization/application/action orientation	

Note: critical theory has not been included in this table as no quality criteria that distinguishes it from constructivism could be found

Table 4-10: Quality criteria of realist case study research, source: Healy and Perry (2000:122)

How context-rich and meaningful (“thick”) are the descriptions?
Does the account “ring true”, make sense, seem convincing or plausible, enable a “vicarious presence” for the reader?
Is the account rendered a comprehensive one, respecting the configuration and temporal arrangement of elements in the local context?
Did triangulation among complementary methods and data sources produce generally converging conclusions? If not, is there a coherent explanation for this?
Are the presented data well linked to the categories of prior or emerging theory? Do the measures reflect the constructs in play?
Are the findings internally coherent; are concepts systematically related?
Were rules used for confirmation of propositions, hypotheses, and so on made explicit?
Are there areas of uncertainty identified? (There should be some.)
Was negative evidence sought for? Found? What happened then?
Have rival explanations been actively considered? What happened to them?
Have rival explanations been replicated in other parts of the database than the one they arose from?
Were the conclusions considered to be accurate by original informants? If not, is there a coherent explanation for this?
Were any predictions made in the study, and how accurate were they?

Table 4-11: Queries of internal validity, Source: Miles and Huberman (1994: 279)

4.7.2 Epistemological appropriateness

As suggested in Table 4-10, realism is neither value laden nor value free, rather, I am value-aware. I agree that there is a real world to discover, however it is imperfectly and probabilistically apprehendable (Guba and Lincoln, 1994). Therefore, I was aware of the relationship between me and the informant whereby I became immersed in the research through interpretation. However, a participant’s perception is not reality as suggested by constructivism, instead, it is a window to reality whether or not I can triangulate with other perceptions, including triangulation with other data sources or other researchers’ interpretation (section 4.4.3). Furthermore, to increase the epistemological appropriateness, I employed critical incident technique to avoid an over-narrow focus.

4.7.3 Methodological appropriateness: reliability, external validity and construct validity

Table 4-10 presents three criteria of methodological appropriateness: methodological trustworthiness, analytical generalization, and construct validity. The limitation of this research in relation to reliability is “*case study research procedures have been poorly documented, making external reviewers suspicious of the reliability of the*

case study method” (Yin, 2009:45). Thus, a good guideline for doing case studies is necessary for later researchers to replicate the research (Healy and Perry, 2000). To increase the methodological trustworthiness (reliability) and to minimize the random error, I described the process of case selection, data collection, and interview in detail and summarized my data with tables, figures and timelines to enhance the transparency (Yin, 2009). Thus, later researchers can come to a similar conclusion by following the same steps. It should be noted that the emphasis is on doing the same case over again not on replicating the results of previous cases since the attempt to replicate the data collection may not succeed for the subjective participants (Lincoln and Guba, 1985).

The second criterion is analytical generalization (external validity). It is related to the extension of the observed phenomena in a specific context to other setting. The limitation of this research in relation to external validity is case study research does not permit *statistical generalization* (Yin, 2009). However, Healy and Perry (2000) indicate case study researchers should use *analytical generalization* to examine external validity. That is, the researcher aims to generalize a particular set of results to some border theories instead of a larger population. To enhance the external validity, I use replication logic in multiple-case studies (Yin, 2009). Different kinds of data are collected for the same explanation. Following Kontinen (2011), I used the question “Why do Taiwanese entrepreneurs who have invested in China exit? ” to conduct the pilot study and identified the role of entrepreneurs’ non-economic variables and emotions. I then formulated an interview protocol using critical incident technique to extend the theories found applicable to the research issues. I aimed to confirm/disconfirm existing theories, and build theories on the decision-making of international exit.

The last criterion, construct validity, refers to how well information of the constructs in the theory building is measured in the research (Healy and Perry, 2000). Construct validity is described as “*a procedure which refers to the quality of conceptualisation or operationalization of the relevant concept*” (Gibbert et al., 2008:1466). Yin (2009:41) indicates case study researchers fail to develop a “*sufficiently operational set of measures and that subjective judgement are used to collect the data*”. To

enhance the construct validity, I follow Yin's (2009) suggestions and use multiple sources of evidence (see Table 4-5), establish a chain of evidence (conceptual framework), and have key informants review the draft case study report (verification of critical incident tables by entrepreneurs).

4.7.3.1 The self-report and remembered emotions

In addition to the above criteria suggested by Healy and Perry (2000), I justify the types of emotions collected in the interviews. Kahneman (2011) illustrates two types of emotions: experienced emotions and remembered emotions. Experienced emotions refer to immediate emotions, which should be measured and collected in the created moment. Remembered emotions refer to emotions elicited by recalling the memory. For example, experienced happiness is about how happy the person lives, whereas remembered happiness is how satisfied and pleased the person is when thinking about the life. Since individual may mistake their feeling due to pre-existing state, the experienced emotions may be incorrect and irrelevant to the event (Kahneman, 2003; Kahneman, 2011).

There are two main reasons why I choose to collect remembered emotions instead of experienced emotions from entrepreneurs. Firstly, Kahneman (2011) argues experienced emotions have no voice in decision making because people tend to forget or ignore the real experience and remember only the ending. The emotional memory is what people actually use to make decisions. Examining remembered emotions can reduce the influence of irrelevant factors since individuals are alerted to the actual source of emotions (Loewenstein and Lerner, 2003). Furthermore, when predicting future outcomes, individuals think about expected emotions of the action but not emotions they will experience during the process.

Secondly, this research focuses on Taiwanese entrepreneurs invested in China. This is an International Entrepreneurship research not a psychological one. Due to the fact that entrepreneur's use remembered instead of experienced emotions to make decisions, it is neither applicable nor possible to conduct an experiment to collect entrepreneurs' experienced emotions of each critical incident. As a critical realism researcher, I disagree that the context of making decisions can be recreated in the

laboratory. Therefore, collecting entrepreneurs' remembered emotions through interview are more appropriate than using psychological experiments.

4.8 Ethics

I confirm that I have carried out the School Ethics self-audit in relation to my research "Understanding international exit from a non-economic and emotional perspective: the case of Taiwanese entrepreneurs exit China" and that no reasonably foreseeable ethical risks have been identified.

Interviews with business owners or general managers may disclose confidential company data (Richards, 1996). Thus, I prepared research consent forms, explaining and ensured all participants were informed before signing the form (see Appendix D). Company names and informants' name were changed to protect commercial secrets. All the secondary and tertiary data were used only under permission.

4.9 Summary

Table 4-12 presents the selected methods of this thesis. Informed by research questions, this research follows a critical realist philosophical assumption and follows Healy and Perry (2000), Easton (2010) and Miles and Huberman (1994) to build theory from multiple case studies. The research used a qualitative approach based on multiple case studies of Taiwanese firms invested in China. Following five sample selection criteria (Table 4-3), this study selected and examined five exit cases and two stay cases.

In-depth interviews with entrepreneurs are the primary source of my data. Other sources such as interviews with entrepreneurs' family, staff, business partners and friends, annual reports, press release, websites were used to triangulate the data. Additionally, I consulted members of Taiwanese entrepreneurs association in China and researchers in Taiwan National Cheng Kung University to enhance the validity. The data analysis followed with-case and cross-case methods and coding rules were presented in Appendix B. Themes, patterns, trends were identified through the content analysis.

Paradigm	Critical realist
Approach	Qualitative Reproductive
Research Design	Multiple case studies, Taiwanese entrepreneurs invested in China
Data Collection	In-depth interview, 5 exit cases and 2 stay cases Elite interview using critical incident technique Apply Skopos theory in translation Multiple sources of evidence provide data triangulation: Interviews with Entrepreneurs Interviews with Entrepreneurs' staff, family, business partners, and friends Company financial reports and market shares Company's records, archival data and documents, meeting minutes Public sources of information; newspapers, websites, TV interview, video records Follow up emails, Skype, or line messages
Analysis	Within-case and cross-case analysis Content analysis to identify themes, trends and patterns Coding rules, PANAS-X and literature, see Appendix B
Reflections	Ontological appropriateness
	Epistemological appropriateness
	Methodological appropriateness
	The collection of self-report and remembered emotions
	Ethics

Table 4-12: Selected research methods, source: author

Next chapter presents the within-case analysis of each firm. It presents in-depth information of each firm following the critical incident table and four topics (reasons of international entry, positive emotions and actions, negative emotions and actions, entrepreneurs' definition, reasons, and consequence of exit). Direct quotes are used to increase trustworthiness.

Chapter 5 : Findings

To answer the research questions developed in Chapter 2 and Chapter 3, this chapter presents data collected from case company to familiarise the reader with the detailed findings. Analysis and discussion are in Chapter 6. This chapter firstly presents exit cases and then stay cases. The data presentation structure is based on each theme (see Table 5-1).

Main research question	Why do Taiwanese entrepreneurs who have invested in China exit?	Data demonstrating themes
Theme A	Why do entrepreneurs make the international exit decision? Viewed from an individual and non-economic perspective.	The individual variables section of each case
Theme B	How do incident-generated emotions shape entrepreneurs' actions in internationalisation from entry, operations to exit decisions?	The positive emotions and actions section of each case The negative emotions and actions section of each case
Theme C	How do entrepreneurs make the decision of international exit and what is the outcome?	The Entrepreneur's definitions of exit and its consequences

Table 5-1: subsidiary questions and data of each theme, source: author

The following data are presented to answer the subsidiary research questions:

The individual variables (Theme A): This section focuses on three entrepreneurs' variables resulting in significant actions of internationalization. They are identified from critical incidents which entrepreneurs felt important for their international exit decision-making. Three variables: predispositions, family and personal goals are identified and discussed.

The positive/negative emotions and actions (Theme B): This section explores how entrepreneurs felt about critical incidents and what they act in response to their emotions. Six emotions emerged from the data: passion, confidence, empathy, fear, anger and disgust.

The entrepreneur’s definitions of exit and its consequences (Theme C): This section explains why entrepreneurs exited China and their definitions and outcome of this action.

Due to the large amount of data, each variable is supported by more than 10 critical incidents. Thus, this chapter mainly presents the summary of the data with key quotes. For detailed finding, each case has a critical incident table showing what happened, how entrepreneur felt, and what actions they took in response to each critical incident in Appendix C. The critical incident table serves as a timeline of the company and presents a more in-depth story. Readers may trace back to this table for detailed information. The next section presents the exit case profiles.

Additionally, the companies’ and the entrepreneurs’ true identities are concealed for confidentiality purposes because the findings and discussion chapters will discuss the entrepreneurs’ views, opinions, company strategies and secrets. Henceforth in the following chapters firms will be referred to as Firm A, Firm B, Firm C, etc. and entrepreneurs will be referred to as Entrepreneur Brush, Entrepreneur Machine, and Entrepreneur Paint, etc. to disguise their particulars. To highlight the centrality of entrepreneurs and separate firm level and individual level data, I use the industry of the firm to name the entrepreneur instead of the alphabet.

Firm	Entrepreneur	Gender
Firm A	Entrepreneur Brush	Male
Firm B	Entrepreneur Machine	Male
Firm C	Entrepreneur Paint	Male
Firm D	Entrepreneur Food	Male
Firm E	Entrepreneur Fruit	Male
Firm F	Entrepreneur Metal	Male
Firm G	Entrepreneur Construction	Male

Table 5-2: Firms and Entrepreneurs

5.1 Exit Cases

As indicated in International Business literature (section 2.3), poor performance and strategic change are the two most frequently cited reasons of international exit from economic perspectives. Thus, I categorised 5 exit cases in Figure 5-1. The location of each firm is determined by financial statements, market shares and the strategic direction on the year they decide to exit and confirmed by entrepreneurs. Firms located in Quadrant I are strategically important with good performance. From economic perspectives, Entrepreneur Brush and Machine should not exit China since this decision cannot achieve profit maximization. The non-rational action of Entrepreneur Brush and Machine implies the existence of other variables that may influence the international exit decision.

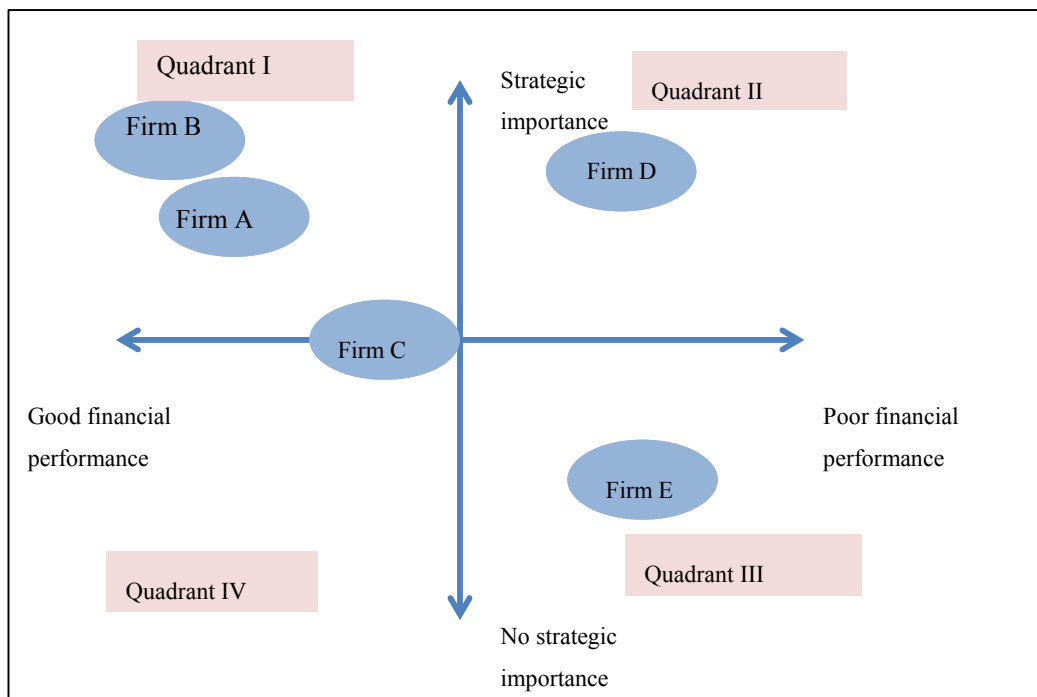


Figure 5-1: Typology of international exit, source: author

Firms located in Quadrant II are strategically important but with poor performance. Entrepreneur Food considered China as an important market, but he had to exit China for poor performance and other reasons. Firms located in Quadrant III are less strategically important with poor performance. From economic perspectives, this type of firms should be discontinued to prevent further financial loss. Interestingly,

Firm E had been persisted in operation for 5 years. Firms located in Quadrant IV are less strategically important with good performance. Firm C is located in the middle of Quadrant I and IV due to the conflict views between general manager and entrepreneur. General Manager insisted on the strategic importance of Chinese market while the entrepreneur thought otherwise. They agreed that Firm C should be located between Quadrant I and IV.

In general, firms located in Quadrant I contradict mainstream international exit literature in International Business (IB) field. This thus highlights the role of entrepreneurs and their non-economic variables. Although Quadrant II and III can be explained by economic reasons in terms of strategic importance and organizational performance, in my data, entrepreneurs provided different reasons and definitions of their exit decisions. To understand why entrepreneurs exit China, the following sections show the summary of each exit case.

5.1.1 Firm A and Entrepreneur Brush

Firm A is a leading brush maker and distributors in Taiwan that accounts for 70% of Taiwanese brush market. Firm A was founded in 1986 and started as a trader of Chinese paint brushes. In the beginning, Firm A indirectly imported Chinese brushes and sold to retailers, wholesalers and distributors. In 2001, Entrepreneur Brush decided to become a manufacturer rather than a sole trader, and he set up a factory in Danyang (China) manufacturing brushes. In 2007, Entrepreneur Brush set up the second factory in China for handle manufacturing. This factory was located in the Anhui province, temporarily shut down in 2009, and restarted as a brush factory in 2011.

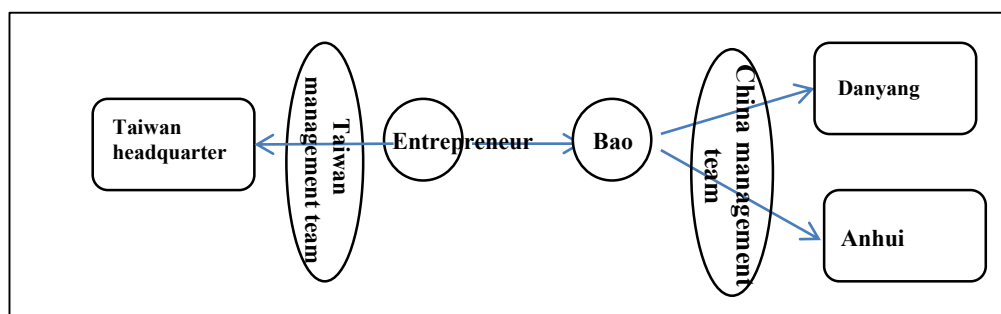


Figure 5-2: Organizational structure and management of Firm A, source: author

Entrepreneur Brush was an early entrant into China. To overcome the liability of foreignness and newness, he employed Bao, a Chinese general manager with 10 years' industrial experience, rather than directly managing the firm (see Figure 5-2). Bao had a full control of Danyang factory. Entrepreneur Brush said “*hiring local managers is better than sending Taiwanese managers because they know how to manage local workers and suppliers*” The relationship between Entrepreneur Brush and Bao was more like a partnership rather than a superior and subordinate. The following sections present the summary of Firm A critical incident table.

5.1.1.1 Individual variables

Table 5-3 presents the individual variables in making internationalization decisions.

Critical incidents and actions	Why	Code
CA6 Communicate with Anhui government for mutual understanding and expansion	Entrepreneur believes local government is friendly to foreign investors, and he need to be re build the relationship with government	Positive predispositions
CA11 Staff corruption, explore the reasons and invest in IT system	Entrepreneur trusts his Chinese staff. He rather views it as a single case and an accident.	Positive predispositions
CA1 Entered into China and set up plant	Want to provide a better life for family	Family
CA7 Reject an acquisition offer from a MNE	Want to leave to business to his children	Family
CA8+CA12+CA13+CA14 Serious conflicts with general manager due to company shares. Decide to exit China and relocate to Vietnam	Only family member can hold company shares. To ensure full control of company.	Family
CA1+CA2 Entered into China, expand to Anhui	Want to be the champion of Taiwanese market	Personal goal
CA6 +CA7 Rising cost and restart Anhui plant, reject acquisition offer from a MNE	Want to increase international market share and dominant the global market	Personal goal
CA14 Exit China and relocate to Vietnam	Want to dominant the global market and develop a sustainable business for children	Personal goal

Table 5-3: Individual variables, summary of Appendix, Firm A critical incident table, source: author

Entrepreneur Brush entered China for the following reasons: (1) incentives offered by Chinese Government (2) The cheap labour cost and raw materials (3) His knowledge and network of brush industry in China (4) He was young and ambitious

and wanted to offer a better life for family. Entering China was his best chance to dominate the Taiwanese market. To pursue this dream, he set up Anhui factory (timber handle manufacturing) in 2007 for vertical integration but shut down in 2009 due to serious conflicts with locals and the pressure from local government. In 2011, Entrepreneur Brush re-started Anhui as a brush factory to increase the production capability and solve the rising cost issue in Danyang. Table 5-3 summarises three individual variables and supporting evidence.

Positive predispositions

Although Entrepreneur Brush did not clearly state his predispositions of China, his attitude toward staff corruption and Anhui government implied he had positive predispositions to China. He believed Chinese Government and people were friendly to Taiwanese investors. Thus, he made a great effort to understand the reasons behind conflicts, aiming to achieve a mutual agreement and understanding (see empathy in section 5.1.1.2 for discussion).

Family

Entrepreneur Brush entered China to provide a better life for his family (CA1). Family interests and the wish to pass Firm A to his children affected his decision-making. He rejected an attractive and profitable acquisition offer for his children and family control of this company.

“If I am for my own good or for my business’s own good, I could sold my company to those American (largest paint brush manufacturer), they gave me really good offer and I could be part of them...but what I am going to give my children and how about my staff? I have to be responsible although it is not easy...” (Quote A7, entrepreneur)

Entrepreneur Brush refused to share the company with non-family members, including Bao (CA8). In 2012, Bao decided to quit the company unless Entrepreneur Brush gave her 20% of company shares. To ensure full family control of the firm, Entrepreneur Brush accepted Bao’s resignation despite the importance of Bao.

“I have no choice...I have to choose between her or my children’s future... I have to ensure the control of my company; I am not giving anyone my company shares...” (Quote A2, entrepreneur)

Although Entrepreneur Brush had no exit plan previously, in 2013, to ensure the full family control and minimise Bao's impact from resignation, he decided to exit China and relocated to Vietnam (CA13). He rather took a risky decision than allowing a non-family member (Bao) to hold company shares. The relocation to Vietnam might be viewed as a strategic move for better performance; nevertheless, it was more like a compulsory step to protect the family control of the company.

Personal goals

Entrepreneur Brush set up Danyang and Anhui for multiple reasons (CA1). He entered China not only for economic variables but also for individual variables including providing a better life for family and his ambition- become the market leader. His personal goals encouraged him to pursue new opportunities, restarted and expanded Anhui plant (CA6), and rejected a profitable acquisition offer from a large MNE (CA7). He said, *“being a survivor is not enough, I like to be the champion”*.

In the late stage of internationalization, in addition to being a global market leader, Entrepreneur Brush also wanted to develop a sustainable business for his children. Although organizational performance was important, Entrepreneur Brush said the family interests were his “inviolable zone” in making decisions (CA7, CA8, CA13). The conflicts with Bao endangered the family interests. This explains why Entrepreneur Brush shut down a good performing firm with high strategic importance.

5.1.1.2 Positive emotions and actions

I identified three positive emotions from critical incidents: confidence, passion, and empathy. Table 5-4 shows sources of entrepreneurs' emotions and their actions. Entrepreneur Brush's passion is connected with venture creation, expansion, and dramatic strategic changes. Entrepreneur Brush indicated that his passion had been originated from the desire to dominate the market and prove himself (CA1). Now his passion was originated from the wish to leave a sustainable and profitable venture for his children and staff.

Passion		Confidence		Empathy	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CA1 Company expansion	A1 Entered China	CA1 Company expansion	A1 Entered China	CA6 Expand production capability and government negotiation	A4 Understand local government concerns, restart Anhui as negotiation
CA2 Vertical integration	A1 Set up Anhui	CA2 Vertical integration	A1 Set up Anhui	CA11 Unethical behaviour of staff	A4 Understand the reason behind the unethical behaviours, investment in IT system
CA7 Acquisition offer from USA MNE	A2 Reject Acquisition	CA7 Acquisition offer from USA MNE	A2 Reject Acquisition	CA12 Tensions with Bao	A4 Build a new system and communicate with Bao
CA6 Expand production capability	A1 Restart Anhui	CA6 Expand production capability	A1 Restart Anhui	CA13 Tension with Bao	A3 Agree to sell Danyang and search for a new location, pay more compensation to Bao, considering international exit
CA14 Tensions with Bao and expansion	A5 Relocation to Vietnam	CA8 Bao requested for 30% company shares	A4 Resignation of Bao and recruitment of new GM, Wu		
		CA10 Tensions with Bao, new manager resigned	A4 New GM resigned, Entrepreneur Brush in charge of Danyang		
		CA14 Tensions with Bao and expansion	A5 Relocation to Vietnam		

CA: critical incident of firm A, see Appendix C
A: entrepreneurs' actions (A1: increased commitment/ opportunity identification, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)

Table 5-4: Positive emotions and actions, summary of Appendix, Firm A critical incident table, source: author

Confidence is about the venture creation, expansion, increased commitment and strategic changes. Entrepreneur Brush told me confidence was important in making major decisions (CA1, CA14). He received many objections, particularly from his wife and friends in making decisions including increasing commitment, fully empowerment to Bao, plant expansion, Bao's resignation, and relocation to Vietnam. His experience, knowledge, resources, and future prediction allowed him to stay positive and confident about his actions. For Entrepreneur Brush, passion was built on his dream that showed the picture of promising future. His confidence gave him energy to overcome the difficulties despite opposite views from others.

“My husband is too optimistic I can’t remember how much he loss by being optimistic...I and his staff warned him about Bao but he never listens. He thought we were biased and narrow-minded. He always says everything works well ...no he wouldn’t change this character (being confident and optimistic), this is just his style” (Quote A8, entrepreneurs’ wife)

Firm A showed that empathy is associated with forgiving, understanding, and taking actions to change the situation. Two major issues were identified in Firm A: institutional problems and employee-employer conflicts. Taken Anhui closure for example (CA4→CA6), Anhui had 5 hand-cutting accidents and 2 serious injuries in the first year operation. One of the injured workers was the cousin of local government authority, and he sent blackmails and requested for triple compensation. Anhui plant suffered from a violence riot for 3 days. To solve this problem, Entrepreneur Brush sent Bao to negotiate with local government but failed. He decided to shut down Anhui factory.

Entrepreneur Brush experienced serious conflicts with local government since they permitted worker’s violence riots. However, after his meeting with local government, he understood the difficulties of local government and learnt of the unspoken rules. He re-built the relationship with Anhui government and received their invitation and incentives to expand Anhui in 2009.

In addition to Anhui conflict, Entrepreneur Brush showed his empathy to purchasing manager’s unethical behaviour of taking commission (CA11). Empathy allowed Entrepreneur Brush to use a more positive attitude to take actions.

“Being a boss, you have to close your eye sometimes particularly in China... of course I was angry but I kind of understand. The traditional Chinese management style is everything unclear and no one wants to take responsibility. They follow orders instead of regulations. There is a reason for it...I think it’s time to change. My staff is used to my management style and Taiwanese system, thus I want to incrementally make some changes... don’t judge them by your moral standard...You should rely on a proper management system but not the morality of staff. I will build a good system and everything will be fine” (Quote A4, entrepreneur)

Another example is his conflict with Bao (CA12, CA13). Bao resigned in 2012 but regretted her decision and wanted to return. This resulted in serious conflicts among Bao, Entrepreneur Brush and the new management team. Entrepreneur Brush decided to exit China and relocates to Vietnam to minimise the conflict with Bao.

Despite the serious conflicts, Entrepreneur Brush still showed empathy to her situation and understood her aggressive actions. He paid additional compensation to comfort her by selling the Danyang plant.

“I know she is hard to accept this, managing factory for 20 years and no one speaks for her when she quit...she commits a lot, almost the best time of her life and sacrifices her family time, she stay in the factory from Monday to Sunday 6:00am to 10 pm...she is emotional attached with the company and must feel upset and angry...I know why she wants some shares and she deserves it. But I can't give her...the only thing I can do is to sell Danyang and share (the money) with her”
(Quote A9, entrepreneur)

Entrepreneur Brush stated that showing empathy to others allowed him to think from the other way.

“You should blame on yourself before blaming on others, and treat other people as you would yourself. By thinking in this way, you can win the loyalty and respects from your staff and learn how to operate in China” (Quote A13, entrepreneur).

5.1.1.3 Negative emotions and actions

I identified three negative emotions from critical incidents: fear, anger and disgust. Table 5-5 shows sources of entrepreneurs' emotions and their actions. In Firm A, fear referred to worry and uncertainty of future. Fear usually associated with passive actions found in this case such as monitoring, protection, avoiding or no actions in response to changes. The implementation of two major policies: labour insurance and China western development signalled the higher production cost (CA3, CA5). Entrepreneur Brush was worried about the future of his company but took no immediate actions until Anhui government offered incentives in 2009.

Moreover, despites Bao's interference with daily operation, Entrepreneur Brush took a more defensive strategy such as sending monitoring staff and protecting customer information instead of aggressive and legal actions (CA12). Although fear enabled Entrepreneur Brush to be alerted about the problems and passively responded to some issues, the dramatic changes are usually accompanied with the other negative emotion, anger.

Fear		Anger		Disgust	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CA4 Disputes with Anhui Government and staff injuries	A3 Shut down Anhui	CA4 Disputes with Anhui government and staff injuries	A3 Shut down Anhui	CA4 Disputes with local government and staff injuries and accidents	A3 Shut down Anhui
CA12 Tensions with Bao	A4 Information protection, send monitoring staff	CA10 Tensions with Bao, new manager resigned	A4 New GM resigned, Entrepreneur Brush in charge of Danyang	CA12 Tensions with Bao	A3 Agree to sell Danyang and search for a new location, pay more compensation to Bao, considering exit China
CA3 Labour insurance policy	A2 No immediate actions, but connected with international exit (A5)	CA12 Threats with Bao	A4 Information protection, send monitoring staff		
CA5 China Western development policy	A2 No immediate actions, but connected with international exit (A5)	CA11 Unethical behaviour of staff	A4 Organizational restructure and implant Taiwanese management system		
CA: critical incident of firm A, see Appendix C A: entrepreneurs' actions (A1: increased commitment/ opportunity identification, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-5: Negative emotions and actions, summary of Appendix C, Firm A critical incident table, source: author

Anger refers to being irritable due to conflicts, problems or external forces. Anger is usually connected with strategic changes, new directions, investment, and organizational restructuration. Similar to confidence, anger seemed to give Entrepreneur Brush strong motivation to take actions and solve problems. Entrepreneur Brush seems to make big decisions after anger (CA10). For example, Entrepreneur Brush restructured Firm A to minimise Bao's impact.

“My boss usually announces a new policy after shouting with Bao, particularly when Wu (second GM) quit the company and Bao told him no one can manage the company except her...my boss slapped the door and told her he will do it ” (*Quote A10, manager*)

Disgust refers to a strong negative emotion that makes Entrepreneur Brush want to escape from current situation. In the first Anhui closure, he was extremely stressful due to the hand-cutting accidents, riots, and conflicts with government (CA4). Although everything was under control, Entrepreneur Brush still decided to shut down the factory to avoid staff injuries despite the great financial loss. Entrepreneur Brush said he could improve factory performance and government relationship, but he could not tolerate tragedies anymore. Hand-cutting accidents are common in timber handle manufacturing industry, thus he was determined to shut down Anhui plant.

“Anhui is not ready for production and foreign ventures...I was sick of hearing any hand-cutting accidents, these people never follow the rules” (Quote A5, entrepreneur)

The international exit decision was also related to disgust. Entrepreneur Brush had serious disputes with Bao since she wanted to return the company but was rejected. The feeling of Entrepreneur Brush towards this was complicated. On the one hand, he was angry, scared and disgusted by her actions (see Quote A3). On the other hand, Entrepreneur Brush showed empathy to her situation (see Quote A9). They were business partners for 20 years and Entrepreneur Brush could understand how frustrated and desperate she must have felt after her resignation. Thus he did not take aggressive actions to stop her (e.g. legal actions). He tried to comfort her and in one of his email, he wrote to his staffs *“everyone should respect Bao and try to meet her requirement...she built up the factory”*. However, he could understand and forgive her actions but he could not give her what she wanted (company shares). These endless conflicts disgusted him thus he aimed to resolve the conflicts by any means (except giving her company shares), including exit China (CA12).

Disgust was connected with decreased commitment (Anhui) and international exit in this case. For Entrepreneur Brush, disgust was associated with a strong desire to escape from the current situation regardless of the financial cost to obtain emotional peace. Actions motivated by anger are usually with a sense of control and the capability to solve the problem. In comparison, actions motivated by disgust are avoiding, desperate and hopeless behaviours (e.g. the endless conflict with Bao).

Interestingly, although incidents resulted in fear do not have direct connected with aggressive actions such as exit, those incidents would become the supporting evidence to make sense of entrepreneurs' actions resulted from anger or disgust. For example, Entrepreneur Brush did not take action immediately in response to the fear of rising costs, but he considered it to be evidence supporting his decision to exit China (CA14).

5.1.1.4 Entrepreneurs' definitions of exit and its consequences

Entrepreneur Brush's exit decision is sudden and surprising for everyone, even to himself. Although Entrepreneur Brush was worried about the rising cost issue in China, he planned to solve this problem by Anhui relocation. Entrepreneur Brush suggested he was "too old to make big changes" but his conflicts with Bao drove him to make the exit decision. Interestingly, Entrepreneur Brush suggested that he did not see the potential of Vietnam before conflicts with Bao. He limited his expansion plan in China. The conflicts with Bao drove Entrepreneur Brush to change the strategic direction from increasing investment in China (Anhui expansion) to exiting China (Vietnam relocation). Entrepreneur Brush's emotions, family and personal goals play a vital role in this strategic move.

For Entrepreneur Brush, Firm A was a successful venture since it met his initial goals –dominated Taiwanese market and entered global market. Entrepreneur Brush was satisfied with his international exit decision since it was consistent with his goals and generated great profits by selling lands and properties. Although he felt upset to exit China, he viewed it as a necessary step to protect the most important thing, his family.

"I have no vacations and no personal life in the past 20 years, I fully committed to my business and my wife and children had to come to my factory to help in the weekend, we spent all our leisure time in this company...this is how I create and maintain my venture...shutting down Danyang is a sad decision, but it is a necessary step to protect and continue my business. I know Bao and I don't think my children and handle her in the future. We commit so much in this, I can't take any risks (of losing family control)...although I feel sorry for her, I must do it." (Quote A11, entrepreneur)

Thus, the exit of Firm A highlights the role of entrepreneurs' family and emotions (empathy, disgust, passion and confidence). Economic rationality does not fully explain international exit, entrepreneurs' emotions actually do.

5.1.2 Firm B and Entrepreneur Machine

Firm B is the manufacturer of ice cream machine and is the second market dominator in China. Firm B was founded in 1978 in Taiwan and its China operation was launched in 1992. The Nanjing factory was export-oriented initially. In 1996, Entrepreneur Machine set up a Marketing office in Nanjing and entered local market. Entrepreneur Machine indicated his products were much cheaper than Italian ones but more stable than Chinese ones. Thus he successfully entered into Chinese market and soon became the 2nd market dominator.

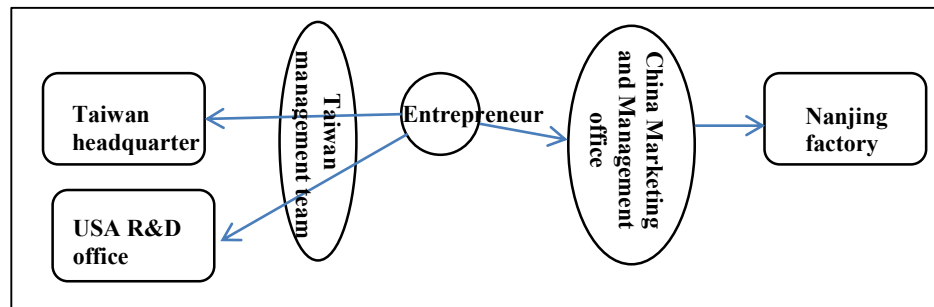


Figure 5-3: Organizational structure and management, Firm B

In 2000, Entrepreneur Machine moved to USA with his family. The development of Machine follows in the footsteps of Entrepreneur Machine. Entrepreneur Machine set up a R&D centre in USA and successfully developed several core technologies. Entrepreneur Machine travelled between China and USA. His stay in USA had not only improved the R&D capability of Firm B but also changed his life style. He started to consider the quality of life and tried to find the balance between work and leisure.

“I love my work and commit much of my time in, I was just like a working machine...In USA, I found there were something interesting...I visited Metropolitan Museum of Art every weekend and walked in the Brooklyn Bridge...I found life can be so peaceful and easy...”(Quote B2, entrepreneur)

His new life style and personal goals brought changes to Firm B. The following sections present the summary of Firm B critical incident table.

5.1.2.1 Individual variables

Table 5-6 presents the individual variables in making internationalization decisions.

Critical incidents and actions	Why	Code
CB3+CB8 Similar designs in the market, strictly control access to product design and in CB4 relocates the R&D office to USA.	View it as an institutional problems and the result of money-oriented culture. Lack of intellectual property right.	Negative predispositions
CB5+6 SARS in China, Entrepreneur Machine want to reduce his stay in China thus downsize the company	The power of Chinese government and the manipulation of media, entrepreneur worried about personal safety and property right.	Negative predispositions
CB7+8 Shut down Nanjing marketing office	Unethical staff stole blueprints and customer lists for profits. Entrepreneur distrusts staff.	Negative predispositions
CB9+10+11+12 Exit China and become a trader instead of a manufacturer	Aversion to Chinese government, staff, institutions and living environment	Negative predispositions
CB13 Reject promising and profitable collaboration opportunities in China	Aversion to Chinese government, staff, institutions and living environment, refuse further commitment	Negative predispositions
CB1 Entered into China and set up a factory	Provide a better quality of life for family	Family
CB4 Entered into USA and set up R&D office	Family members immigrates to USA	Family
CB 9 Exit China and become a trader instead of a manufacturer	Daughter rather be a trader than a manufacturer in China	Family
CB1 Enter into China and set up a factory	The desire to prove himself and being an outstanding entrepreneur	Personal goal
CB2 Set up a Nanjing marketing office for Chinese market	The desire to prove himself and being an outstanding entrepreneur	Personal goal
CB4 Enter USA and set up R&D office	In the turning point of his life and wanted to change living environment	Personal goal
CB6 Want to reduce his stay in China, divestment	Making money is not his first priority now. Happiness is more important (living environment)	Personal goal
CB 9 Exit China and become a trader instead of a manufacturer	Looking for a more relaxing and pleasant lifestyle	Personal goal

Table 5-6: Individual variables, summary of Appendix, Firm B critical incident table, source: author

Entrepreneur Machine set up a studio to design machines for food industry in 1978. He was ambitious and confident about his design, and he was not satisfied to be a studio owner in Taiwan. To pursue greater achievement, Entrepreneur Machine entered China in 1992 for following reasons: (1) incentives from Chinese

Government (2) cheap labour costs, property and materials (3) the desire of prove himself (4) a better life for family. Entrepreneur Machine indicated the strongest motivation were the desire to make more money and be an outstanding entrepreneur. Thus he made a risky choice to enter into China while others still hesitated (CB1).

Negative predispositions

Entrepreneur Machine's negative predispositions mainly build on his negative experience in China such as overly bureaucratic government, political system, conflicts with staff and living environment. In 1997, Entrepreneur Machine found similar designs in Chinese market (CB3). Although he did not have direct evidence, he concluded that his staff stole the blueprints for profit. He strictly controlled the access to core technology, and outsources key components to difference suppliers. However, similar incidents re-occurred in the following years (CB8). These two incidents strengthen his negative predispositions to China in terms of intellectual property right and staff's unethical behaviours (he considered to be the result of money-oriented culture). In 2002, Entrepreneur Machine faced another turning point in China (CB5+CB6). SARS (Severe acute respiratory syndrome), a highly contagious, serious and potentially life-threatening disease caused a serious health problem in China. Entrepreneur Machine was isolated at the hotel for 5 days without any external communication. Surprisingly, Entrepreneur Machine did not see any relevant news in Taiwanese media since Chinese Government tried to lock the news. Entrepreneur Machine was overwhelmed by power of Chinese Government and their manipulation of the media.

"I know the truth and I know it (SARS) was very serious, but Chinese Government manipulate the media and rewrite the story, it was much worse ...there was no freedom of speech, at least not in the public, they (Government) can do anything and pretend nothing happen ... I am scared of this kind of power" (Quote B3)

Entrepreneur Machine's negative predispositions to China significantly reduced his willingness to commit to China (CB9+10+11+12). Despite his rich resources, networks, knowledge and market potential in China, he was not interested in opportunity exploitation (CB13). Entrepreneur Machine's business partner, Lee, indicated Entrepreneur Machine could be the market leader in China or even in the

global market if he expanded his factory. But Entrepreneur Machine's negative experiences and predispositions prevented him from increasing commitment (see section 5.1.2.3 for discussion).

“My Italian friend invited me to open a business selling gelato, gelato ingredients and equipment in China, I know there was a market and very possible to succeed... but I was exhausted and don't want run more business in China” (Quote B5, entrepreneur)

The “exhausted” should be resulted from “China” instead of the business itself (see above quotes). This may be viewed as the result of his negative predispositions to China; it is uncomfortable (emotional costs) to stay in a country you do not like.

Family

Entrepreneur Machine also entered China to provide a better life for his family (CB1). In 2000, his family immigrated to USA. Following his family, he set up a R&D centre in USA (CB4). In making exit decision (CB9), the attitude of his daughter also affected his future plan for firm B (see section 5.1.2.4 for discussion).

Personal goals

In the early stage of internationalization, Entrepreneur Machine was ambitious and wanted to prove himself (CB1). However, in the mid to late stage of internationalization, his personal goal was shifted from being an outstanding entrepreneur to enjoying his life (CB4). Thus he became less tolerant to the poor life quality in China. He operates the business for family and responsibility instead of passion and ambition (CB6). Thus, his main target is to maintain the business by exploiting current resources rather than exploring opportunities.

5.1.2.2 Positive emotions and actions

I identified three positive emotions from critical incidents: confidence, passion, and sympathy (see Table 5-7). Entrepreneur Machine's passion was connected with venture creation and expansion. It was usually accompanied by his ambitions and goals. Entrepreneur Machine was an expert in machine design and was ambitious to expand his business in 1992 (CB1). He was passionate and confident about his

venture and aimed to prove his design was practical and valuable. In 1996, Entrepreneur Machine discovered the market potential in China and set up Nanjing marketing office to enter into Chinese market (CB2). However, despite the good performance, Entrepreneur Machine's passion about managing the factory diminished quickly. He considered himself to be an inventor rather than a manager, thus managing Chinese workers frustrated him.

"I am driven by responsibility instead of passion now, I have to feed my family and my workers have to support their families too...I hired local managers to help me...but they still disappointed me sometimes, I think I will never use to the Chinese way of doing things" (Quote B1, Entrepreneur)

Entrepreneur Machine's confidence was associated with the capability, resources, and competitiveness of Firm B and its leading position. Entrepreneur Machine was confident about his business and proud of his design that enabled him to become second market dominator in China.

"My design has best CP (cost/performance) value in the industry...I never worry about the increasing cost and competition. I strongly believe that technology and innovation can compensate the negatives" (Quote B11, Entrepreneur)

Firm B was healthy, leading and prestigious. Although Entrepreneur Machine lost his passion about operation in China, he was supported by his confidence and responsibility to family and firm. Due to the lack of passion, the main company strategy was for survival instead of expansion. Although Entrepreneur Machine identified the opportunities and was capable for expansion, he preferred to maintain the status quo (CB13).

Unlike Entrepreneur Brush, Entrepreneur Machine did not show empathy in critical incidents. He understands the situations and the reasons behind uncomfortable events, but he cannot accept and approve the events. Thus, Entrepreneur Machine's attitude is more like sympathy instead of empathy (section 6.3.1.3). Entrepreneur Machine indicated the fast-changing environment in China and his incapability of managing the changes. Taken corruption for example, Entrepreneur Machine indicated Chinese government was more humble in 1992. Recently, Chinese, including government and people, are driven by money and acted without ethical boundaries (CB11). Entrepreneur Machine understands this is the transition of a developing country but

cannot accept the change. These uncomfortable events depressed Entrepreneur Machine's and strengthen his negative predispositions to China.

Passion		Confidence		Empathy	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CB1 Company expansion	A1 Entered China	CB1 Company expansion	A1 Entered China		
CB2 Company expansion	A1 Marketing office in Nanjing	CB2 Company expansion	A1 Marketing office in Nanjing		
		CB4 Entrepreneur moved to USA for 3 years	A1 Set up USA R&D office		
CB: critical incident of firm B, see Appendix C A: entrepreneurs' actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-7: Positive emotions and actions, summary of Appendix, Firm Machine critical incident table, source: author

5.1.2.3 Negative emotions and actions

I identified three negative emotions from critical incidents: fear, anger and disgust (see Table 5-8). Entrepreneur Machine showed strong and intense negative emotions in Chinese operation. His fear was associated with Chinese government, institutional problems, and poor living environment. Entrepreneur Machine was shocked by the power of Chinese government and how they manipulated with media during SARS (CB5+6). He was worried about his property right in China and felt unsecure. In addition, the political tension between Taiwan and China enhanced this feeling. Unlike Entrepreneur Brush considered each negative incident to be a single and independent case, Entrepreneur Machine generalized negative incidents to other events and viewed it as a formal/informal institutional problem thus significantly deteriorated his predispositions to China (CB11). His fear of China reduced his willingness to commit in Firm B despite the market potential. Although his fear did not lead to an immediate action, it played a role when Entrepreneur Machine evaluated opportunities or made decisions (CB13).

In the early stage of his internationalization (before SARS), Entrepreneur Machine was willing to increased commitment to solve the problem (in response to his anger, CB3).

“My competitors keep stealing my new design. I am so furious that I doubled my R&D budget to speed up the innovation process. These dirty players will never catch up with me” (Quote B9, Entrepreneur)

But his anger turned to fear/disgust in the mid-late stage of internationalization. He said he was in “vulnerable position” and there was nothing he can change. Thus, he avoided further contacts with locals and isolated himself (CB10).

The good financial performance, large market shares and Quote B11 show Entrepreneur Machine’s negative emotions are irrelevant to economic reasons. Entrepreneur Machine’s business partner said “*No one can compete with him in China*”. The source of his negative emotions was the Chinese institutions and living environment. Entrepreneur Machine was not used to the life in China in terms of living style, environment and food. The situation deteriorated after his stay in USA and SARS. He prefers more relaxing and healthy life style and was scared by the frequent food contamination and poison incidents in China (CB12). He said he only consumed food and beverage delivered from Taiwan, which made his life in China difficult. Moreover, Entrepreneur Machine found difficult to communicate with younger generation, particularly for those who born after 1990 (CB10). Due to the one child policy and growing Chinese economy, Entrepreneur Machine found younger generation is more money-orientated and self-central, thus they can steal company secrets for profits without the sense of guilty.

Entrepreneur Machine indicated SARS is the turning point of his predispositions to China. With his fear of current China, Entrepreneur Machine standardized production procedure, downsized, outsourced, used remote communicate and emails to reduce his stay in China, from 6 months to 2 months per year (CB6). Entrepreneur Machine sacrificed revenue and production efficiency for this change.

“All my friends warned me about the production efficiency ...my neighbour (the owner of nearby factory) told me my staff finishes early everyday... but I am happy with the performance now; there is a room to improve, but I rather stay in Taiwan” (Quote B7, entrepreneur)

Fear		Anger		Disgust	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CB3 Staff stole product designs for profit	A4 Strictly control the access of product design	CB3 Staff stole product designs for profit	A4 Strictly control the access of product design	CB6 Want to reduce the stay in China	A3 Divestment
CB5 SARS	A2 No immediate actions	CB10 Employee-employer conflicts (informal institutions)	A4 Hire local managers, avoid direct contacts with workers	CB7 Disclosure of customer list due to unethical staff	A3 Close Nanjing office
CB6 Want to reduce the stay in China	A3 Divestment	CB 11 Formal institutions	A3+A5 Divestment, relocation and exit	CB 10 Employee-employer conflicts (informal institutions)	A4→A5 Hire local managers, avoid direct contacts with workers
CB7 Disclosure of customer list due to unethical staff	A3 Close Nanjing office			CB12 Poor food safety and living environment	A2→A5 No immediate action, but strongly connected with international exit
CB8 Similar design appears in the market again	A2 No immediate actions			CB 11 Formal institutions	A3→A5 Divestment, relocation and exit
CB12 Poor food safety and living environment	A2 →A5 No immediate action, but strongly connected with international exit			CB9 All the incidents above	A5 Exit China
CB 11 Formal institutions	A3→A5 Divestment, relocation and exit				
CB13 Invitation from foreign investors to set up a joint ventures	A2 Reject				
CB: critical incident of firm B, see Appendix C A: entrepreneurs' actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-8: Negative emotions and actions, summary of Appendix, Firm B critical incident table, source: author

Entrepreneur Machine described he was “*extremely depressed*” when he stayed in China. The financial income is insufficient to compensate his emotional costs. Besides, Entrepreneur Machine suggested he made enough money for rest of his life (CB9). Thus he incrementally divested in China and had no intention to expand. His negative emotions and predispositions led to passive strategy, divestment and international exit. Moreover, his daughter did not want to take over his business in

China. Thus, in 2012, he decided to shut down his factory in China and become a designer and trader instead of a manufacturer.

5.1.2.4 The entrepreneur's definitions of exit and its consequences

Entrepreneur Machine's exit decision was more like a personal choice. He exited China for following reasons: firstly, escaped from his emotional suffering in China (negative predispositions). Secondly, prepared for business succession (family). Finally, looked for a more relaxing, healthy and comfortable life style (personal goal). In 2010, Entrepreneur Machine's daughter joined the management team in China. Entrepreneur Machine planned to leave the business to his daughter. In 2012, Entrepreneur Machine's daughter refused to manage the plant in China for personal reasons. Thus, Entrepreneur Machine decided to exit China despite the large market shares and strategic importance.

Although he understood his firm (in Taiwan) might not survive in the long-term without a factory in China, he still felt relief to exit China. He experienced intense negative emotions during his stay in China, and he thought the financial income was insufficient to compensate his emotional costs anymore. Thus, exit was a wise decision for himself, but a non-rational one for the firm. His business partner, Lee, called it a "suicide mission".

"Shut down my China factory means the end of my all business within 10 years...it is very difficult to survive without factory now but we don't want the factory anymore...I sold my designs to my suppliers...I have a valuable customer database...now we are offering service instead of product, and I am satisfied for this change" (Quote B4, entrepreneur)

He considered his exit to be a success since he achieved the initial goal including promotes his design to the world, becoming a successful entrepreneur and providing a good life for his family.

"For me, making money is not my first priority anymore, I have enough money...my daughter is young and she should have a try in China, but she rejected...it is time to shut down the factory...it's not worthy to sacrifice my life for money" (Quote B8, entrepreneur)

Accordingly, in this case, financial performance is not the reason for exiting China. As suggested by Entrepreneur Machine, “*exiting China is a rational decision for myself and not for my company*”.

5.1.3 Firm C and Entrepreneur Paint

Firm C is a paint manufacturer that accounts for 30% of Taiwanese market. Entrepreneur Paint set up the Taiwanese headquarter in 1974 and entered China in 2005 for market expansion. Entrepreneur Paint was invited by his customers and business partners to enter into China in 1997. He visited China in 2002 and purchased land for expansion, however, his investment plan was postponed by SARS and political tension between Taiwan and China. The political tension in 2002 (see section 1.2) irritated Entrepreneur Paint, a supporter of Taiwanese independence.

Most of Entrepreneur Paint’s competitors and customers entered China and had good performance. This provided Entrepreneur Paint enough confidence of resuming his entry plan in 2005. Despite the negative predispositions to Chinese Government, Entrepreneur Paint sent Chen (General Manager) to set up Jiangsu factory for market expansion. Firm C was a late entrant to China, which significantly increased the difficulty and expense to enter into Chinese market. Unlike Entrepreneur Brush hired local managers, Entrepreneur Paint sent a Taiwanese management team to build up the factory and sales system (see Figure 5-4). In 2006, Entrepreneur Paint set up second sales office in Shanghai but closed it in 2008 for multiple reasons (see negative predispositions).

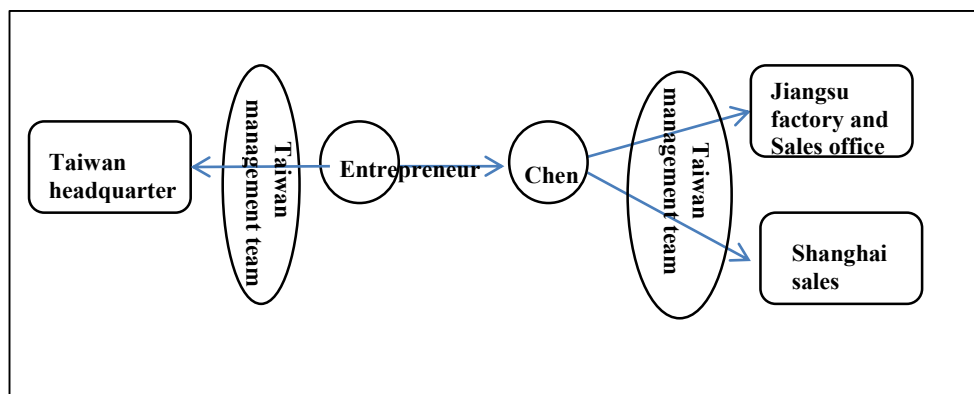


Figure 5-4: Organizational structure and management of Firm C, source: author

The following sections present the summary of Firm C critical incident table.

5.1.3.1 Individual variables

Table 5-9 presents the individual variables in making internationalization decisions. Entrepreneur Paint entered China for multiple reasons: (1) following customers and competitors for market expansion, (2) self- achievement and face. Face also called “main-zi” in Chinese; it refers to individual ego and successful image in front of other people. It is the combination of dignity and positive reputation.

Critical incidents and actions	Why	Code
CC5+CC10 Shut down Shanghai office, divestment, and exit China	Entrepreneur assumed that all Chinese staff is unethical for his negative experience in Shanghai and stories from his friends.	Negative predispositions
CC6+CC7+ Entrepreneurs’ aversion and new personal goal, exiting China	Entrepreneurs’ aversion to Chinese institutions, government, policies preference (against Chinese government, before entry).	
CC11 Reject promising and profitable collaboration opportunities in China	Entrepreneurs’ distrust to Chinese people	
CC1+CC2 Entered into China and set up a factory and sales office	Self- achievement and face	Personal goal
CC6 Entrepreneurs’ aversion and new personal goal, exiting China	Entrepreneur is interested in construction business in Taiwan and wants to expand this business.	

Table 5-9: Individual variables, summary of Appendix, Firm C critical incident table, source: author

Negative predispositions

Unlike Entrepreneur Machine who had negative predispositions to China after entry, Entrepreneur Paint had negative predispositions before entry. His political preference resulted in his distrust of Chinese government, people and his action of late entry. Entrepreneur Paint said his political preference strongly influenced his predispositions to China. He was a Democratic Progressive Party (DPP) supporter considering China as a threat to Taiwan due to Chinese Government’s claim that “Taiwan is part of China”. Being a DPP supporter, he believes China will take over Taiwan if Taiwanese overly relies on Chinese market for economic development. Although Entrepreneur Paint entered China for his business, he was not emotionally committed in this venture. His business partner indicated his political preference

made him see things pessimistically. This results in a negative impact on Firm C operation.

“Entrepreneur Paint supports green party, that’s why he never likes Chinese Government...Entrepreneur Paint thinks it is a conspiracy that Chinese government trying to take over Taiwan through economic collaboration. He entered into China reluctantly and always thinks from the pessimistic side, he could have made things better... “(Quote C3, entrepreneurs’ business partner).

Firstly, Entrepreneur Paint’s negative predispositions delayed his entry plan. Late entry was costly and makes branding more difficult. Entrepreneur Paint spent great efforts to enter Chinese market and found this market was extremely competitive. Firm C needed to compete with Western giants including Deluxe and Du Pont along with numerous local brands. Deluxe created a luxury image by intense advertisement and was the appointed brand by end users. In comparison, local brands had lower production costs thus could offer more commissions to distributors by selling their brands.

Secondly, Entrepreneur Paint’s negative predispositions to Chinese prevented him from taking the “shortcut” (CC11) like his competitors. Entrepreneur Paint rejected the collaboration with locals although it was the best way to minimize liability of foreignness and entered markets. Chen said the collaboration with locals could significantly reduce entry costs and was a popular strategy that most Taiwanese firms chose on entry Chinese market.

“We had an offer from A (the niece of authority), he was interested in our products and controlled the distribution channel of B city...Other company also used same strategy to enter into C city...but my boss rejected because he didn’t trust locals...” (Quote C6, general manager)

In addition, Entrepreneur Paint sent management team from Taiwan instead of hiring locals. Chen said this resulted in higher operation costs and more cultural conflicts with local workers. Entrepreneur Paint’s negative predispositions to Chinese Government and Chinese influenced his entry time, entry mode, interpretation of opportunity, future development and risk perception. He decided to exit China in 2011 despite positive prediction of future performance and Chen’s strong objections (CC6). Entrepreneur Paint sold the land and property to obtain funding for his

construction business in Taiwan. Interestingly, Chen (Entrepreneur Construction) did not exit China after business closure but resigned and opened Firm G in China.

Personal goal

From the viewpoint of Chen and Entrepreneur Paint's business partners, Entrepreneur Paint should have entered China in 2002. They suggested Entrepreneur Paint missed the best timing to enter into China but still insisted in this plan for his face. Firm C was underperformance from 2005 to 2008 but Entrepreneur Paint persisted in his Chinese operation. This may be explained by his future prediction of the firm. Chen also indicated another reason of Entrepreneur Paint's persistence (CC1+CC2)

"My boss is afraid of losing face...after all, he is a successful and rich entrepreneur in Taiwan, and everyone will make fun on him if he exits China ...besides, Y (their main competitor) is successful in China and my boss doesn't want to surrender"
(Quote C1, general manager)

Other informants (Entrepreneur Paint's customers and friends) also agreed with Chen's viewpoint. They suggested Entrepreneur Paint persisted for his "face". Afraid of losing face means afraid of showing the negative and failure side and in front of others, thus people tend to deny their failure and disguise the failure with other reasons to protect their ego. Entrepreneur Paint's persistence was proven to be right since Firm C was on the right track with good performance. Despite all efforts he committed before and his fear of losing face, he closed a profitable firm and exited China. Section 5.1.3.4 presents his reasons of international exit.

5.1.3.2 Positive emotions and actions

Table 5-10 presents the positive emotions and actions. Entrepreneur Paint did not experience many positive emotions in China. Most of memories were negative and painful. For Entrepreneur Paint, the investment in China was a mistake. He did not express any sign of passion during interview. Interestingly, Chen showed passion in managing business in China and seemed to enjoy his life in China. Entrepreneur Paint confidently entered into China since he identified the lack of medium-price products in China (CC1). High-end products such as Deluxe and low- end products

like local brands dominated Chinese market. There was a shortage for the middle range, which was his cash cow in Taiwan. Additionally, his competitor Y entered in 1995 and achieved great success. These all increase his confidence in Chinese operation.

Chen and Entrepreneur Paint’s business partners suggested Entrepreneur Paint had negative predispositions to Chinese government (CC7). He was affected by the failed stories of his friends thus believed Chinese Government would not fairly treat Taiwanese investors. Additionally, Entrepreneur Paint showed no intention to understand and learn Chinese culture. He showed neither sympathy nor empathy and was intolerant to negative incidents and cultural conflicts.

Passion		Confidence		Empathy	
Incidents	Actions	Incidents	Actions	Incidents	Actions
		CC1 Company expansion	A1 Entered China		
		CC2 Company expansion	A1 Shanghai Sales office		
CC: critical incident of firm C, see Appendix C A: entrepreneurs’ actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-10: Positive emotions and actions, summary of Appendix, Firm C critical incident table, source: author

5.1.3.3 Negative emotions and actions

I identified three negative emotions from critical incidents: anger, fear and disgust (see Table 5-11). Anger is associated with Entrepreneur Paint’s dissatisfaction with Chinese informal institutions. After entry, Entrepreneur Paint soon discovered the unspoken rules of the paint industry in China. The regulation to sell paint was different from Taiwan. For example, paint can only be transported by specialized vans and there are some “facilitation fees” to pay to obtain the shipping permission. Entrepreneur Paint was not aware of these thus paid a great tuition fee. He spent a great effort to establish the sales system. Although Entrepreneur Paint was angry, he was also confident that he could correct this mistake in the early stage of his internationalization (before Shanghai closure, e.g. CC3, CC4, CC5).

Fear referred to scary and lack of security, it was originated from Entrepreneur Paint's distrust of Chinese government and Chinese. The distrust of local staff resulted in higher operational costs and his lack of commitment in China. After 2006, Entrepreneur Paint rejected most of investment proposals to improve performance (CC11). For example, Chen suggested the collaboration with local authority's niece could win government support and make market entry easier. This was a popular and efficient strategy for Taiwanese entrepreneurs to enter local market. But Entrepreneur Paint rejected for his distrust and fear to collaborate with locals. In addition, Entrepreneur Paint's fear prevented him from opportunity discovery and implementation. Although the performance was significantly improved after 2008 and Chen requested for expansion, Entrepreneur Paint rejected.

"Chen's suggestion is okay...I am making money and there is a potential...but is it worth? I can't have a good sleep in night time and I am always worried about my business in China, I am worried about my sales, the government, the taxation officers, the workers..." (Quote C5, entrepreneur)

In the mid to late stage of the internationalization, Entrepreneur Paint's fear, anger and negative predispositions to China eventually turned into disgust and aversion. Chen indicated Shanghai office closure (CC5) was the turning point.

"My boss doesn't like Chinese government, so whatever happen, he blames on the government, which makes things worse" (Quote C3, general manager).

For example, Chen considered unethical behaviours of sales to be a management problem that can be improved. However, Entrepreneur Paint concluded all staff tried to steal money from the firm whenever possible.

"It was unbelievable, my full-time sales works for my competitors for commissions. Everyone thinks they work for my competitors. They are so greedy and always try to take advantages of others...I am not surprised if Chen told me they (sales) run away with my money and inventory... No, I don't have expansion plan; it's scary to leave my business to these people. They are just like their government and I can't trust them. I hate/ dislike doing business with them". (Quote C4, Entrepreneur)

In the mid/ late stage of internationalization, Chinese institutions, people and government disgusted Entrepreneur Paint. Disgusts are strongly connected to his exit (China) decision. Due to his negative predisposition of China, Entrepreneur Paint was pessimistic about the future development in China. He agreed China was a

growing economy and potential market, but he also indicated Chinese economy would collapse one day due to lack of democracy, corruption, income inequity and real estate bubble.

Fear		Anger		Disgust	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CC5 Unethical behaviour of staff	A3 Shut down Shanghai office and focus on smaller market, reject expansion plan	CC3 Unique local regulations of paint transportation	A4 Change strategy, invested in transportation and follow local rules	CC10 Informal institutions	A5 Strongly associated with international exit
CC7 Formal institutions and Chinese government	A2—A5 No immediate action, result in turning down expansion plan in 2009 and international exit	CC4 Protectionism of local market	A4 Negotiate with distributors	CC7 Formal institutions and Chinese government	A5 Result in turning down expansion plan in 2009 and international exit
CC8 Rising costs and intensive competition	A2 No immediate actions	CC5 Unethical sales and unmet performance	A3 Shut down Shanghai office and focus on smaller market		
CC11 Collaboration with locals	A2 Reject the offer	CC7 Formal institutions and Chinese government	A2 No immediate action, result in turning down expansion plan in 2009 and international exit		
CC10 Informal institutions	A2 Reject expansion plan → Strongly associated with international exit				
CC: critical incident of firm C, see Appendix C A: entrepreneurs' actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-11: Negative emotions and actions, summary of Appendix, Firm C critical incident table, source: author

5.1.3.4 The entrepreneur's definitions of exit and its consequences

This international exit was due to the following reasons. Firstly, the shift of Entrepreneur Paint's personal goals resulted in international exit. His business partner said Entrepreneur Paint was fully committed in construction industry in Taiwan and paid less attention to his paint business. Entrepreneur Paint exited China and sold Chinese factory in order to expand his construction business in Taiwan in spite of Chen's opposition and the good performance of Firm C

Secondly, Entrepreneur Paint's business partners suggested his exit was inevitable. They indicated Entrepreneur Paint entered China too late, thus significantly increased the difficulty and operational costs. In addition, Chen suggested Entrepreneur Paint's negative predispositions prevented him from taking the shortcut. They spent more expenses and effort to enter Chinese market than their competitors. With all these efforts, Firm C finally entered local market and start to make profit. Chen felt disappointed that Entrepreneur Paint decided to shut down a growing and healthy venture for a new business with high risk and uncertainty (CC6).

Entrepreneur Paint defined Firm C as the "big mistake".

"Entering China is a big mistake. It's a waste of money and time. You can make money from many businesses, like my construction business, I am building villa in Taiwan and its very interesting. It was so unpleasant to run a business in China, I can't do it anymore ... Chinese government ask for money, my sales steal money, my suppliers always delay, my customer never pay on time, people is the biggest problem when investing in China. I rather make money in other ways" (Quote C2, Entrepreneur)

Entrepreneur Paint agreed the performance is good but there are "other ways" of making money. This implied he was not satisfied with Firm C and he had a better option. From economic perspective, it seemed too risky to give up a profitable and growing venture for a new venture. However, this decision made sense according to individual's variables including Entrepreneur Paint's negative predispositions, shift of personal goals and emotional costs in China.

5.1.4 Firm D and Entrepreneur Food

Firm D is the pastry and cake manufacturer in Taiwan. In 1999, Entrepreneur Food established a dessert company in Taiwan selling French pastry and cakes. His product, Mille Crepe became a super star in Taiwanese market. With the confidence of Mille Crepe and his new design fresh fruit jelly, Entrepreneur Food set up Firm D (a French dessert store) in Taiwanese Product Shopping Mall (TPSM) in Nanjing, which was sponsored by local government and a large Taiwanese MNE (Company H). TPSM was built for Chinese Government's policies of improving cross-strait relationship through business activities. Chinese government offered many incentives to attract Taiwanese entrepreneurs to set up a business in TPSM. TPSM was a success in the first year but 80% of Taiwanese entrepreneurs left TPSM in the second year due to disputes with their landlord; Company H. Entrepreneur Food is one of these entrepreneurs.

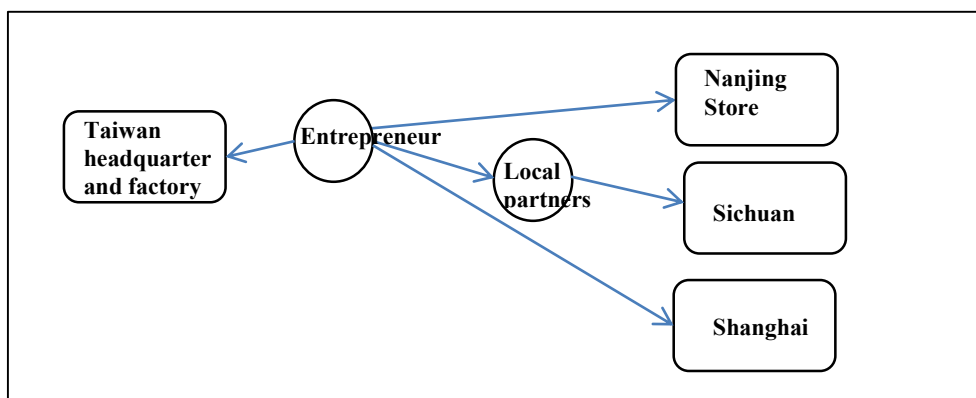


Figure 5-5: Organizational structure and management, Firm D, source: author

Entrepreneur Food imported products from Taiwan headquarter and sold to organizations or individuals. With the support from local government and intense media presence, Entrepreneur Food enjoyed a great success in the first year and expanded his store. In 2010, he attended the food exhibition in Sichuan province and opened second store in Sichuan with a local partner. In 2011, with the invitation from his friends, Entrepreneur Food opened another French pastry store in Shanghai department store. Figure 5-5 presents the organizational structure and management in

Firm D. The following sections present the summary of Firm D critical incident table.

5.1.4.1 Individual variables

Table 5-12 presents the individual variables in making internationalization decisions. Entrepreneur Food is passionate about the French dessert. He entered China with the goal of introducing the Mille Crepe to more people. Entrepreneur Food has been committed to Mille Crepe for more than 10 years. He wanted to introduce his best seller to more markets not only for economic reasons but also for self-achievement. Entrepreneur Food wanted to achieve something big again before retirement, and he selected China to be his stage.

Critical incidents and actions	Why	Code
CD6+CD9 Entrepreneur consults experienced friends and read Chinese history, join local community to solve/understand cultural conflicts, unspoken rules, and employee and employer conflicts	Entrepreneur believes these problems are common in business world; he tries to be fair and open-minded in dealing with cultural/institutional problems.	Positive Predispositions
CD1+CD2+CD3+CD4 Entered into China, set up Nanjing, Sichuan and Shanghai store	Entrepreneurs' love in French dessert, his dream to introduce it to more people and his ambition to "achieve something big"	Personal goal
CD7 Visit successful entrepreneurs in bakery industry and search for new opportunities	To understand local market and what local taste. His passion in French dessert drives him to develop a brand new product for local markets.	Personal goal
CD8 Exit China for unmet performance and shift of personal goals	In addition to poor performance, entrepreneur found a better opportunity for Chinese market. He exits to prepare for future re-entry.	Personal goal

Table 5-12: Individual variables, summary of Appendix, Firm D critical incident table, source: author

Predispositions

Entrepreneur Food acknowledged many Taiwanese entrepreneurs had negative image to Chinese due to institutional distances and unethical behaviours of staff. He held a different attitude toward these conflicts (CD6+CD9). Entrepreneur Food suggested many Taiwanese entrepreneurs enter into China to make quick money and exploited local staff (CD5). Their behaviours destroyed the reputation of Taiwanese and increased the difficulties for latecomers to enter into local market. As a

latecomer, he should use a more positive attitude, be open-minded and try to improve the image of Taiwanese entrepreneurs. Entrepreneur Food was more tolerant to cultural conflicts and used a positive attitude to interpret negative critical incidents.

“I was unhappy about the disputes with my local business partners (Shanghai and Sichuan) such as the bribery, unreasonable commission, delay payment...but after the conflicts with Company H, I felt it was nothing to complain about Chinese, even my own people tried to take advantage of me, how I can complain about Chinese. We are not better than them. This is human nature and real business world, it normal to face this kind of xxx (emotional language) things. “(Quote D4, entrepreneur)

Personal Goals

Entrepreneur Food’s two personal goals, achieving something big and promoting French dessert, drove him rapidly expanded his market (CD1+CD2+CD3). Entrepreneur Food indicated he was passionate in dessert industry, particularly French dessert.

“I visited Paris 20 years ago and I tasted local dessert and bread, I was astonished by the amazing flavour and I want my family and friends to taste it too. I felt my old job (instant food industry) was so boring and I want to sell dessert. Taiwan was a traditional market and only accepts sponge cakes that time. I spent years in kitchen to develop a new recipe that Taiwanese likes... I found substitute for cream and cheese and developed a special way to preserve fresh fruit to extend expire date...I experienced some failures but now people (Taiwanese) like my products. ..It is excited that people like my cakes. I want to promote it to more people, I enjoy in seeing people eating my cake”. (Quote D1, entrepreneur)

Entrepreneur Food’s personal goals also made him less sensitive to poor financial performance. Firm D was underperformed since establishment. Entrepreneur Food persisted in this venture for 5 years (see the next section for discussion). His non-economic gains from Firm D (including achieving personal goals and his passion) somehow compensated the financial loss thus supported Entrepreneur Food to persist in an underperforming venture.

In addition, Entrepreneur Food’s personal goals enabled him to identify and implement new opportunities. In 2013, he visited different entrepreneurs to search for new opportunities. He found a new opportunity and also realized his products

were not suitable for current Chinese market (CD7). Other entrepreneurs suggested him to change ingredients to cheaper substitutes and reduce the price.

“Natural and high quality food does not have market here. If I add some chemical flavorings and lower the price, I can definitely find lots of customers, I can definitely find lots of customers... But this is not French dessert anymore. I want to sell real French dessert and sell good food...” (Quote D8, entrepreneur)

Entrepreneur Food insisted on in his original recipe, but then realized China was not ready for this type of products. He decided to exit China and prepare for a re-entry (CD8). He will restart with French bakery, which is more popular in China, and promotes dessert in the future.

5.1.4.2 Positive emotions and actions

I identified three positive emotions from critical incidents: confidence, passion, and empathy (see Table 5-13). Entrepreneur Food’ passion was associated with venture creation and opportunity identification while confidence was associated with the venture creations and expansion. His passion was from his love to the French pastry and his confidence was built on his knowledge and 20 years’ experience in food industry. Entrepreneur Food’s wife said he was passionate about discovering, improving and introducing new dessert recipes. He carried a notebook with him to record every dessert he tried and how to improve his recipes accordingly. The notebook looked like an encyclopaedia of dessert containing pictures, recipe, detailed information and his comments.

Entrepreneur Food was confident about his products. His confidence and passion drove his expansion plans in Shanghai, Sichuan and Nanjing (CD1+CD2+CD3+CD4). He agreed that he was too impulsive in setting up the Shanghai store (CD8). He failed to identify the real reason that Shanghai citizen purchase French dessert (for the feeling of outstanding).

“I know this is my problem...if I am very excited about something, I am blind... I was too confident about my product and thought I could compete with French brand including Paul and Laduree there (Shanghai) with much lower price...I followed my feeling and it was proven wrong (laugh)...I think sometimes you need to be crazy to open a venture”(Quote D2, entrepreneur)

His confidence allowed him to have a positive future prediction, thus enabled him to persist in an underperforming venture for 5 years.

“I mean, sometimes financial performance means little to me, I believe everything would be fine. If you persist and keep going, you can be successful one day”
(QuoteD6, Entrepreneur)

Passion		Confidence		Empathy	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CD1 Market Expansion	A1 International entry, Nanjing store	CD1 Market Expansion	A1 International entry, Nanjing store	CD6 Employee-Employer conflicts	A4 Consult experienced friends
CD2 Rising sales revenue	A1 Store expansion, new product line added	CD2 Rising sales revenue	A1 Store expansion, new product line added	CD9 Informal institutions	A4 Consult the chairman of Taiwanese businessman association, professionals and read Chinese history books and relevant reports
CD3 Market Expansion	A1 Entered into Sichuan with local partner	CD3 Market Expansion	A1 Entered into Sichuan with local partner		
CD4 Market Expansion	A1 Entered into department store in Shanghai, new product line added	CD4Market Expansion	A1 Entered into department store in Shanghai, new product line added		
CD7 Looking for new opportunities	A1 Visit successful bakery company in Hangzhou	CD7 Looking for new opportunities	A1 Visit successful bakery company in Hangzhou		
CD: critical incident of firm D, see Appendix C A: entrepreneurs' actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-13: Positive emotions and actions, **summary of Appendix, Firm D critical incident table, source: author**

Entrepreneur Food showed strong empathy in response to negative critical incidents (CD6). In 2012, Entrepreneur Food’s staff had a car accident on the way to work and requested for compensation. She had miscarriage and her family requested for double compensation since they considered the 2 months baby also sacrificed for the work. Her family members stood in front of store every day and disturbed customers. Entrepreneur Food was irritated by the threats and consulted experienced Taiwanese entrepreneurs to solve this problem. After the consultation, Entrepreneur Food understood due to the one child policy, losing a baby in China is an extreme tragedy for the whole family. Law and regulation were not applicable in this situation, and it

was not a wise decision to challenge an angry local family. Thus, Entrepreneur Food found local authority to negotiate with that family, showed his sincere apology and provided compensation for their emotional costs.

Entrepreneur Food experienced cultural conflicts, unspoken rules and bribery in China (CD9). He was angry and sometimes scared of these incidents. But he aimed to understand the local institutions. He read Chinese history and consulted experienced entrepreneurs. He also joined local community by attending social events. These events allowed him to learn from locals and built up useful relationship. By understanding Chinese culture, he became more open-minded and capable in dealing with institutional problems.

5.1.4.3 Negative emotions and actions

I identified two negative emotions from critical incidents: angry and fear (see Table 5-14). Entrepreneur Food did not show disgust during his stay in China. He seemed to accustom to Chinese institutions. Although he experienced several conflicts and was angry or scared at first, he learned and adapted. Entrepreneur Food tended to look things from the bright side except the conflicts with his landlord in Nanjing (CD5). TPSM was supported by Nanjing Government and operated by a large Taiwanese MNE, Company H. Due to inadequate pricing strategy and poor management, the visitors of TPSM has been dropped from more than 10 thousands per day to less than 100 per day. In 2011, Entrepreneur Food organized Taiwanese entrepreneurs to negotiate with Company H but received no reply. Entrepreneur Food was irritated by Company H and relocated to Nanjing department store.

“Do you know how these people make money? They kept the price label and just changed Taiwanese dollar to RMB...they were xxx (emotional language) crazy and treated Chinese like idiots who paid 5 times more to buy the same product...H company knew the situation and ignored it...in fact H company was one of these greedy company...they took advantage on their own people and Chinese. That’s why this shopping mall closed...and I felt embarrassed that this was not the only case in China. This explains why Chinese are rude to Taiwanese...because we are bad to them too... ” (Quote D3, entrepreneur)

Fear		Anger		Disgust	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CD9 Informal institutions	A4 Consult the chairman of Taiwanese businessman association, professionals and read Chinese history books and relevant reports	CD5 Disputes with landlords in Nanjing	A3 Relocate to Nanjing department store		
		CD6 Employee-Employer conflicts	A4 Consult experienced friends		
		CD9 Informal institutions	A4 Consult the chairman of Taiwanese businessman association, professionals and read Chinese history books and relevant reports		
CD: critical incident of firm D, see Appendix C A: entrepreneurs' actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-14: Negative emotions and actions, summary of Appendix, Firm D critical incident table, source: author

This incident not only resulted in relocation but also allowed Entrepreneur Food to be empathetic toward conflicts with Chinese.

5.1.4.4 The Entrepreneur's definitions of exit and its consequences

Entrepreneur Food concluded the reasons for his exit were: (1) wrong products (2) unmet performance (3) shift of personal goals. He indicated the shift of his goal, to open a bakery, was the critical reason for him to make the exit decision. Although all his stores had been under performance since establishment, he still persisted in the operation and aimed to improve the performance. He believed in his products and had positive future prediction.

In 2013, Entrepreneur Food visited friends in Hangzhou to seek advice on improving his operation in China (CD7). He learned the trend of current Chinese food market and found Chinese customers were not ready to pay for natural and organic ingredients. He did not want to compromise the quality for his passion of “real” French dessert.

“Natural and high quality food does not have market here. If I add some chemical flavorings and lower the price, I can definitely find lots of customers, I can definitely find lots of customers... But this is not French dessert anymore. I want to sell real French dessert and sell good food...” (Quote D8, entrepreneur)

Thus, he set up a new goal of opening a bakery chain. He decided to sell dailies such as bread, rolls and baguette to attract customers and incrementally introduce French dessert, which is considered to be luxury and only for occasional event in China. To pursue his new goal, Entrepreneur Food closed Firm D and exited China in 2013. He returned to Taiwan, searched for new partners and prepared for the re-entry in the near future.

“I am always confident about my product, maybe too confident (laugh)...I mean it's upset to realize my current products were too advanced for Chinese market but it's okay...Chinese follows the trend of Taiwan, about 5-10 years difference. I still have chance, if I open a bakery and stay here, maybe I can introduce Mille Crepe again in the future ” (Quote D5, entrepreneur)

Entrepreneur Food's business partners defined his exit as a failure due to the financial loss. Interestingly, Entrepreneur Food had different interpretation of failure and considered his exit as a valuable lesson for future success. The different definitions may result from Entrepreneur Food's self-protection system, which disguised the failure with other reasons to protect his ego. Additionally, it may be because he enjoyed in this experience and received something valuable including emotional gain, knowledge and a new future direction. These non-economic gains compensated the economic loss thus enabled Entrepreneur Food to redefine his international exit, from the failure to “the process to success”.

“I always think what is failure...I think it could be just a process...I sold Mille-crepe 10 years ago but lost lots of money because Taiwanese only likes sponge cake. I insisted in this product and everyone thought I was crazy. Surprisingly, 3 years ago, Mille-crepe became a super star...if I shut down my venture before, than I was failed. But I persisted and survived, I am succeed...I mean, sometimes financial performance means little to me, I believe there is a timing, if you persist and keep going, you can be successful one day...I think the real failure is when you can't see the future, you don't believe in future, or yourself doesn't want that future...I don't think my exit is a failure (laugh), maybe 50-50...I did learn a lot from this experience, and I see new opportunity (bakery industry)... I will be back” (Quote D6, entrepreneur).

In short, poor financial performance was not the main reason for international exit; Entrepreneur Food’s personal goal was the key that drives this action.

5.1.5 Firm E and Entrepreneur Fruit

Entrepreneur Fruit was an experienced Taiwanese entrepreneur who has 22 years’ experience in China. Firm E was a Taiwanese fruit retailer and wholesaler that imported Taiwanese fruit and sold to individuals and organizations. Like Entrepreneur Food, Entrepreneur Fruit began with the Taiwanese product shopping mall (TPSM) in Nanjing and achieved great success and became the icon of fine Taiwanese fruit. Firm E was one of Entrepreneur Fruit’s investments in China. Entrepreneur Fruit was the manufacturer of hardware tools and had three factories in China. Firm E was Entrepreneur Fruit’s personal investment registered under his daughter’s name and operated as an independent unit.

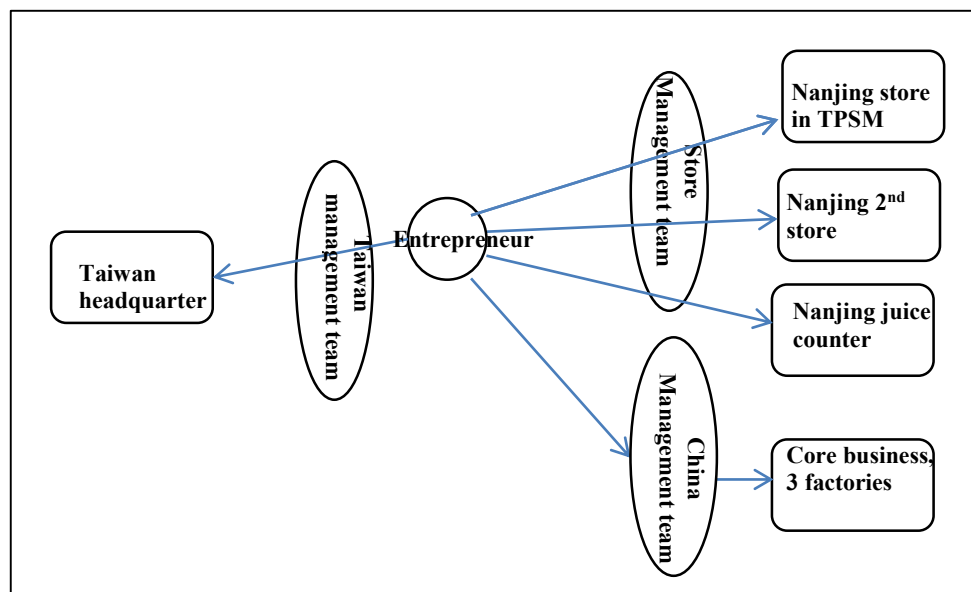


Figure 5-6: Organizational structure and management, Firm E, source: author

Entrepreneur Fruit was born in a farmer family. He always wants to contribute to society. As a son of farmer, he understood the difficulties of farmer to survive in a small market like Taiwan. Thus, he aimed to help Taiwanese farmers to promote the prestigious Taiwanese fruit to China. In 2009, Entrepreneur Fruit learnt the news of the TPSM in Nanjing. He sensed the opportunity and exploited his networks and

knowledge to open a fruit shop in the TPMSM in Nanjing. Although he had no experience in agriculture and retailer industry, he was excited and confident about the fruit shop due to his knowledge in Chinese market. Entrepreneur Fruit committed financially and emotionally in Firm E. He spent 70% of his working time and sacrificed his weekend for this business. Figure 5-6 presents the management of Firm E and Entrepreneur Fruit's other business.

The following sections present the summary of Firm E critical incident table.

5.1.5.1 Individual variables

Table 5-15 presents the individual variables in making internationalization decisions. Entrepreneur Fruit indicated the main purpose of Firm E was not for making money. Firstly, he wanted to contribute the Taiwanese farmers and promote Taiwanese fruit. Secondly, he tried to go into other industries for his daughters. Entrepreneur Fruit was a successful entrepreneur in manufacturing industry; however, his daughters were more interested in catering and restaurant business. Firm E served as a springboard for future investment in Chinese food industry. Thirdly, Entrepreneur Fruit enjoyed in meeting people and making friends. Opening a small store like Firm E was his dream.

Critical incidents and actions	Why	Code
CE1 Identify new opportunity and enter into China	Entrepreneur thinks Chinese are friendly to Taiwanese and likes Taiwanese fruit. In addition, Chinese government would help his business for political reasons.	Positive predispositions
CE9 Entrepreneur learns and follows unspoken rules	Entrepreneur thinks Chinese are friendly to Taiwanese and respects the Chinese ways of doing things.	Positive predispositions
CE1 Identify new opportunity and enter into China	Enter into other industry for his daughters who are interested in food industry.	Family
CE8 Shut down Firm E	Entrepreneur was too busy and his daughters show no interest in this business.	Family
CE1 Identify new opportunity and enter into China	Entrepreneur wants to contribute the Taiwanese farmers and promotes Taiwanese fruit.	Personal goal
CE3+CE5 Rapid expansion	Entrepreneur gains face in first store. For his reputation, he feels obligated to expand his store to dominant the market.	Personal goal

Table 5-15: Individual variables, summary of Appendix, Firm E critical incident table, source: author

Positive predispositions

Entrepreneur Fruit's positive predispositions to Chinese Government allowed him interpret the political tension between Taiwan and China from a positive perspective (CE9). He believed Chinese Government would not take any action unless Taiwanese Government announced the independence of Taiwan. He was the supporter of KMT (Kuomintang), a political party which agree with the 1992 consensus that "both sides (Taiwan and China) recognize there is only one China, but agree to different on its definition." In general, Entrepreneur Fruit and other KMT supporters are positive to the future political and economic development of China (see section 1.2).

"Those people (DPP) always talked about independence of Taiwan, of course Chinese government has to warn them ...most Chinese people agree that Taiwan is an independent country and they like us, so no need to be afraid or be aggressive to all Chinese people... In fact, Chinese Government is nice to Taiwanese (entrepreneurs); we enjoy more benefits than other foreign ventures... " (Quote E6, entrepreneur)

Built on his positive predispositions and knowledge of China, Entrepreneur Fruit set up Firm E (CE1). He was open-minded and learnt from experience. Although he was angry at some incidents such as receiving black mails, he analysed the background of these incidents and solved the problem by a more positive attitude. The empathy section presents more data. In general, Entrepreneur Fruit had positive predispositions to Chinese and Chinese Government. This enabled him to minimise the institutional distances, stay positive and explore opportunities in China.

Family

Entrepreneur Fruit set up Firm E for his daughters to understand the food market in China (CE1). He also closed Firm E because his daughters were not interested in this business, and he was not willing to hire a professional manager (non-family member) to manage his business (CE8).

Personal goals

Initially, Entrepreneur Fruit defined Firm E as his leisure activity. Thus, with government incentives and other non-economic reasons, Entrepreneur Fruit opened Firm E to pursue his dream (CE1).

“I want to do something interesting. I like to talk to customers, the consumers, and promote the product face to face. It’s boring to communicate through emails and fight for 2% or 3 % profit...I saw opportunity in TPSM, No need to pay rent for the first six months, which meant I just need to pay the labour costs and electricity, this was the best chance for me to try something new...” (Quote E1, entrepreneur)

Entrepreneur Fruit’s daughter also agreed her father open Firm E for personal goals.

“My father likes to talk to different people particularly Chinese who are interested in Taiwanese culture and stuffs. He invited Chinese he met on the plane and be their tour guides in Taiwan at least 5 times. One time, I went out with him to buy lots of mangos and pineapples for his new Chinese friends. He said they were complaining about the quality of Taiwanese mango, and he wanted to reverse their image. My father found what they ate before was fake Taiwanese mango sold by unethical retailer. The retailer changed the origin of the mango and destroyed the reputation of Taiwanese mango. I think this may be the reason he wants to open the fruit shop, and we supported him although we disagreed with his crazy expansion. But he is the boss...” (Quote E2, entrepreneurs’ daughter)

In addition to his personal goal of promoting Taiwanese fruit, Entrepreneur Fruit gained face in front of friend since he becomes the celebrity in Nanjing by his success of first store (first 3 months). For his face the reputation, he felt obligated to expand his store and dominant the fruit market in Jiangsu province (CE3+CE5). Although Firm E underperformed since 2010, Entrepreneur Fruit insisted in expansion plans and introduced more product lines. The non-economic value of the Firm E including his positive predispositions, family, face and personal goals provided emotional energy for Entrepreneur Fruit to persist in an underperforming firm.

5.1.5.2 Positive emotions and actions

I identified three positive emotions from critical incidents: confidence, passion, and empathy (see Table 5-16).

Passion		Confidence		Empathy	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CE1 Nanjing government incentives and wish to open a fruit shop	A1 International entry, Nanjing store	CE1 Nanjing government incentives and wish to open a fruit shop	A1 International entry, Nanjing store	CE2 Black mails	A4 Modified the price
CE3 Government contract and invitation from Nanjing department store	A1 Second Store in Nanjing	CE3 Government contract and invitation from Nanjing department store	A1 Second Store in Nanjing	CE4 Unethical staff	A4 Improve the accounting system
CE5 Invitation from other Nanjing department store	A1 Fresh fruit juice counter	CE5 Invitation from other Nanjing store	A1 Fresh fruit juice counter	CE9 Informal and formal institutions	A4 Learn and follow
CE: critical incident of firm E, see Appendix C A: entrepreneurs' actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-16: Positive emotions and actions, summary of Appendix, Firm E critical incident table, source: author

Entrepreneur Fruit had passion in doing this business because of his background and personal goals. Firm E was his dream venture, which satisfied his wishes to meet people and contributed to society. He spent most of his time in this shop and feels exited although Firm D unperformed.

“I felt very relax and happy in Firm E, it was interesting to meet so many different people, stood on the top of bench and explained how to select and eat Taiwanese fruit...They (Nanjing people) loves me and loves my Taiwanese accents (laugh). I had 5 TV, 3 newspaper, and 1 magazine interviews, I am the celebrity in Nanjing and everyone knows me (laugh)...It was a great fun and I feel so proud in front of my friends” (Quote E3, entrepreneur)

Despite Entrepreneur Fruit’s excitement, Entrepreneur Fruit’s wife held different views.

“He enjoyed a lot in opening a fruit shop, but he didn’t think carefully before opening 2nd and 3rd shop... The fruit shop was like a big hole, my husband kept pouring money into and nothing came out...” (Quote E4, entrepreneurs’ wife)

The initial success of Firm E made Entrepreneur Fruit felt confident about the future development of Firm E. He was an experienced entrepreneur in China and had

sufficient funding. He was confident about his capability to minimise the institutional problem and even take advantages on it. He said:

“Well it’s true that they take bribery, and it’s not acceptable in many countries ...but this is the Chinese way and I learnt to accept it and follow it. Corruption never bother me, I am accustomed to the Chinese way of doing business. It’s a big problem for those who are not familiar with. For me, it’s like a shortcut to success. To think of it, it is much cheaper and more effective in achieving my goals.” (Quote E9, Entrepreneur)

Entrepreneur Fruit believed he could dominate Nanjing market even expanded to whole Jiangsu province with the prestigious brand name and his institution-specific capability (CE3+CE5). Thus, he rapidly expanded Firm E although it underperformed. Entrepreneur Fruit admitted he did not evaluate carefully for the expansion plan, thus resulted in over expansion and financial loss.

As an experienced entrepreneur with positive predispositions to China, Entrepreneur Fruit showed empathy to most of institutional problems (CE9). For example, many entrepreneurs complained about the corruption government and unspoken rules, but he understood and learnt the Chinese way of doing things. Instead of viewing it as a threat, he considered the ability to handle corruption to be his advantage compared with other foreign entrepreneurs.

“In general, Chinese are very friendly to Taiwanese. I heard many failed stories and owners blamed on corrupted government and unethical staff. It is not right. The reason why they have chance to destroy your company is because of yourself. There people go to erotic places or treat their staff like a donkey. Of course they failed... Yes they are different from us and they take bribery sometimes...but this is the Chinese way and I learn to accept it and follow it...corruption never bother me, I am okay with this (corruption) and I know how to do it...it is a cheaper and more efficient way of doing things” (Quote E5, entrepreneur)

Cultural conflicts might change Entrepreneur Fruit’s management style but have no negative impact on his predispositions to China. Entrepreneur Fruit was accustomed to the life in China and enjoyed the Chinese ways of doing business.

5.1.5.3 Negative emotions and actions

I identified one negative emotion, anger, from critical incidents (see Table 5-17). In general, Entrepreneur Fruit did not have many negative emotions. He did not feel

fear in China because he was familiar with the country and capable of handling most problems. He did not showed disgust in critical incidents too.

Fear		Anger		Disgust	
Incidents	Actions	Incidents	Actions	Incidents	Actions
		CE2 Black mails	A4 Modified the price		
		CE4 Unethical staff	A4 Improve the accounting system		
		CE6 Disputes with landlords in Nanjing	A3 Shut down 1st Nanjing store		
		CE7 Poor inventory control	A4 Outsource fruit import and preservation to professionals		
CE: critical incident of firm E, see Appendix C A: entrepreneurs' actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-17: Negative emotions and actions, summary of Appendix, Firm E critical incident table, source: author

Entrepreneur Fruit felt angry about unethical behaviours of staff (CE4), black mails (CE2) and disputes with landlords (CE6). But his anger is usually short-term and seldom had negative impact on his commitment in China. On the contrary, the anger actually motivated him to improve organizational structure for better performance. With Entrepreneur Fruit's understanding and empathy of Chinese culture and institutions, he transformed the negative emotions to positive forces to solve the problem. For example, his accountant made counterfeit financial statements for own profits and resulted in financial loss. Entrepreneur Fruit was irritated. His knowledge and empathy enabled him to learn from this experience and improve his accounting system. In general, anger provides an emotional energy for Entrepreneur Fruit to take actions for better performance.

“It (counterfeit financial statement) was a shock...I was angry with my accountant, but I knew this is a common thing if you didn't establish a proper accounting system in China, she only earned 3,000 yuan per month and it was normal that she was lured to do this, particularly when she knew I seldom checked the financial statement ...to solve this problem, I spent a fortune to establish a proper accounting system and sent another accountant to check financial statements regularly” (Quote E7, entrepreneur)

5.1.5.4 The entrepreneur's definitions of exit and its consequences

Entrepreneur Fruit defined the closure of Firm E as a failure. He listed following reasons for international exit such as unmet performance and lack of experience. He indicated his lack of knowledge in fruit preservation caused serious inventory problems and financial loss. Moreover, sales decreased significantly since the visitors of TPSM have been dropped from more than 10 thousands per day to less than 100 per day. Additionally, he told me he needed to concentrate on his core business and had no time to manage Firm E. His daughters were not interested in and he did not want to hire non-family member to manage the firm. Entrepreneur Fruit felt upset and pity for the business closure. Although Firm E underperformed, he was still positive to the future development of Firm E.

“No I am not regretting about this (set up Firm E), it's a great fun...of course I lost a lot (money), too ambitious; I was not familiar with this industry and knew little about fruit inventory control and preservation. Although I outsourced this to a professional company but I was too busy to manage it... Now I have experience, equipment and network, actually I was going to invest in ice cream made by Taiwanese fruit last year, but no one can manage the shop... It's interesting to open a small store selling something I like” (Quote E11)

Entrepreneur Fruit defined his exit as a failure from economic perspective. However, he highlighted the non-economic gains from Firm E including gaining face, excitement and happiness. With these non-economic gains, Entrepreneur Fruit may restart the fruit shop and introduce ice cream, beverage, and afternoon tea made by Taiwanese fruit in the future. Doing business in China is his habits and expertise, and he never gives up.

5.2 Stay Cases

Figure 5-7 presents the position of the two “stay” cases in the typology. Firm F and Firm G have long-term operation plan in China and do not have intention to exit China. Following Turcan (2006) and Benito and Welch (1997), strategic importance and performance are two economic reasons for firms to stay in host country. Firm F and Firm G seem to stay in China for economic reasons. However, Entrepreneur Metal has other reasons to stay in China while Entrepreneurs Construction stays in

China for individual variables. He agrees that Firm G makes profit in China, but he enters and stays in China for individual variables.

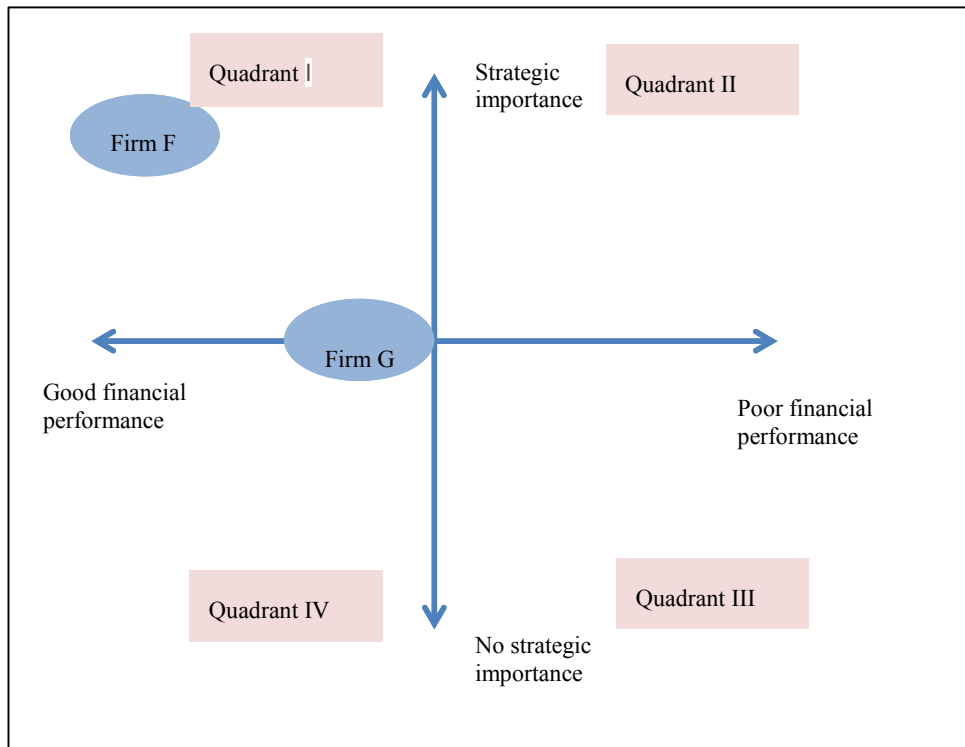


Figure 5-7: Typology of stay cases, source: author

5.2.1 Firm F and Entrepreneur Metal

Entrepreneur Metal is the chair of Taiwanese Entrepreneur Association in Nanjing who has 27 years experiences in China. As a chair in the association, he is the bridge of members (Taiwanese entrepreneurs) and Nanjing Government. He provides suggestions, offers assistances, and resolves disputes. Entrepreneur Metal has in-depth understanding of Taiwanese entrepreneurs in China through his and other members' experience.

Entrepreneur Metal set up a factory in Taiwan in 1989, focusing on animal feed production. His friend, a general manger of a Germany MNE invited him to set up a factory in China to produce metal wires for his company. Although Entrepreneur Metal did not have relevant experience in this industry, in 1999, he recruited two experts from Germany and established Firm F in Nanjing. Firm F was export-

oriented that supplied metal wires to Germany market and soon expanded to USA, Belgium, France, UK, and Japan.

Entrepreneur Metal realized the advantage of low labour costs would decline in the near future due to the fast-growing Chinese economy. He hired Jo and his team to develop high value-added products. They successfully developed special clothing fabric to reduce the influence of electromagnetic radiation and obtained patents in China and USA. Firm F had been incrementally transformed from manufacturer of metal wires to more advanced products, the anti-electromagnetic radiation fabric.

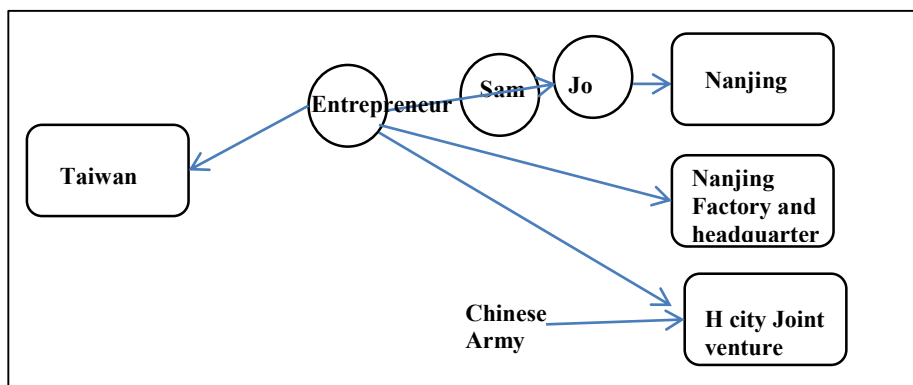


Figure 5-8: Organizational structure and management, Firm F, source: author

In 2008, Entrepreneur Metal received an invitation from the Chinese air force to set up a joint venture in city H to produce a special uniform for army. Entrepreneur Metal obtained this chance through his personal network: his second son married to the granddaughter of the authority in the army. In the same year, Entrepreneur Metal set up a subsidiary in Germany for this collaboration. Due to the confidential agreement, I will not reveal detail information about the joint venture and Germany subsidiary. Figure 5-8 shows the organization structure and management of Firm F. The headquarters were relocated from Taiwan to Nanjing due to the strategic importance of China. Sam is Entrepreneur Metal's first son and assistant, and he will inherit Firm F.

The following sections present the summary of Firm F critical incident table.

5.2.1.1 Individual variables and reasons to stay in China

Table 5-18 presents the individual variables in making internationalization decisions.

Critical incidents and actions	Why	Code
CF1 Entered into China and set up a factory	Entrepreneur is attached to China for his background.	Positive predispositions
CF5 Rising costs and exit trend, but entrepreneur choose stay and innovate instead of relocate to other country	Entrepreneur has positive future prediction of China. In addition, he doesn't want to exit China for his personal attachment to this country.	Positive predispositions
CF10 Entrepreneur learns and accepts corruption, unspoken rules and cultural conflicts	Entrepreneur uses Zhongyong to face cultural conflicts. He likes Chinese and uses a humble and considerable attitude to understand local culture.	Positive predispositions
CF7 Collaborate with Chinese army and set up second factory	Develop a new business for his second son and collaborate with second son's father in law	Family
CF10 Entrepreneur learns and accepts corruption, unspoken rules and cultural conflicts	Entrepreneur uses Zhongyong to face cultural conflicts. His family is rooted in China. He must stay in China.	Family
CF1 Entered into China and set up a factory	Establish a large and influential MNE	Personal goal
CF2+3 Worked with university lads and developed green products	To have his own design instead of buying patents from other country (OEM→ODM)	Personal goal
CF5 Rising costs and exit trend, but entrepreneur choose stay and innovate instead of relocate to other country	Establish a large and influential MNE, thus chooses to innovate high value added product instead of relocation. His responsibility and commitment to his staff	Personal goal

Table 5-18: Individual variables, summary of Appendix, Firm F critical incident table, source: Author

There were multiple reasons for Entrepreneur Metal to enter into China, including networks, low labour and property costs, and government incentives. However, the most critical reason for Entrepreneur Metal to invest in an unfamiliar industry was his ambition and attachment to China. Taiwanese market was small and constrained; there was not much chance for Entrepreneur Metal to pursue his dream- establishing a large MNE. Entrepreneur Metal was optimistic about the future development of China and he liked China due to the historical connections. He made a risky decision to enter a new market and an unfamiliar industry.

Entrepreneur Metal was determined to stay in China. He indicated the following reasons: (1) positive predispositions and personal attachment to China, (2) his family

and family assets in China, (3) his personal goal, ensuring the operation of company for his staff until the last minute. Although he had no relevant experience and knowledge about this industry, he successfully created the business and transformed from labour-intensive to high value-added industry. Entrepreneur Metal told me industrial knowledge and skills were not critical factors to set up a business, instead, his expertise in management and his attitude were the reasons for his success in China.

Positive predispositions

Entrepreneur Metal entered into China for his attachment to this country. He is the second generation of Chinese immigrants, thus he views China as the hometown of his family. His positive predispositions to China not only drove him to set up a factory in China but also supported him to stay in China. For example, Entrepreneur Metal was aware of the rising production costs in China (CF5). Many of his friends relocated to Vietnam, Indonesia, and Thailand. Entrepreneur Metal had to choose between business relocation and transformation. His attachment to China drove him to stay in China, together with his personal goals, he rapidly increased R&D budget and hired professionals to develop high value-added products.

In addition, Entrepreneur Metal's predispositions to China enabled him to use a more humble and considerable attitude to solve institutional conflicts (CF10). He uses Zhongyong, the Doctrine of the mean in Confucianism, to learn and adapt to Chinese environment (see empathy in next section for details). Entrepreneur Metal is emotionally attached to China and his ventures.

“My wife, my sons, and my grandchildren are all here, I am rooted in Nanjing...I am a Taiwanese and I love Taiwan, but Nanjing is my home and I must stay here. I commit so much in China and I will stay here... There are still chances in China, this is a huge market and we have advantages...yes I agree with my son that there are problems, but compared to other markets like USA and Europe, China is much better. Every country has their own problems; I think Chinese government can manage it”. (Quote F3, entrepreneur)

Entrepreneur Metal's positive predispositions to China provided emotional energy to persist in China. China was more than an investment destination; it was Entrepreneur Metal's home and life. Entrepreneur Metal's positive predispositions to China

increase the non-economic value of the firm and lower his risk perception. This enhanced his determination to stay in China, drove him to commit in R&D and explored opportunities. In comparison, Sam held different views about China. He had negative predispositions to China. Staying in China was not his decision but a promise and responsibility to his father. Sam was pessimistic about the future development of China and he might exit China in the future.

“I don’t like China. I spent 5 years in USA and lived in UK with my wife for 5 years. I don’t like the living environment in China. But as a son, it’s my responsibility to take care of my father’s business since this company is just as important as his life... I wouldn’t make any changes before my father leave, but I am thinking about other options... I feel stressful in China, everything is so complicated particularly interpersonal and government relationship... There were too many problems in China such as the huge debt of corrupted local government; this will cause a huge problem, maybe another financial crisis in the future. ...I respect my father that he can learn from Chinese institutions and used to it. But I can’t. I may sell the business in the future” Quote F5, Entrepreneurs’ son Sam)

Entrepreneur Metal and Sam’s statements implied Firm F might exit China once Sam had full control of the company. This finding was consistent with Benito and Welch (1997)’s research that the change of management team may lead to international exit due to strategic change. The strategic change was resulted from Sam’s subjective interpretation of future development.

Family

In addition to positive predispositions, Entrepreneur Metal’s family enhanced his determination to stay in China. Entrepreneur Metal’s family members and assets were all in China and his two sons married to Chinese. For his second son, he collaborated with Chinese army to set up second plant although he understood the army might take full control one day (CF7). He aimed to build a good government network for his second son’s career.

Personal goals

Entrepreneur Metal entered China to build a successful Multinational company. According to his market shares and company performance, his goal was accomplished. Now he stays in China for his family, his attachment to China, and his promise to his staff.

Entrepreneur Metal viewed his employees as part of his family and appreciated their contribution. He told me it was unethical to exit China and laid off employees for strategic changes or performance. Although the relocation to Southeast Asian countries could reduce the production costs, he was satisfied with current performance.

“I have more than 1000 employees, and this means 1000 families are rely on me. It is a heavy burden, but it is also my responsibility to ensure the operation of my firm. I am an old-fashion person, and I don’t like to fire my employees for efficiency and performance, that’s American way not Chinese way. Entrepreneurs should be responsible for their people. When they enter your company, it is your job to carefully manage your company and support their life; it is a heavy load and a long road. I told my two sons if they want to sell my business in the future, they have to find a way to settle down these employees. They should to be appreciated because employees make the money to support their (his two sons) life. ” (Quote F4, entrepreneur)

Firm F’s high non-economic value was built on Entrepreneur Metal’s positive predispositions, family interest and personal goals. It is economically, strategically, and emotionally important for Entrepreneur Metal. He said, “*Nanjing (China) is my home*”.

5.2.1.2 Positive emotions and actions

I identified three positive emotions from critical incidents: confidence, passion, and empathy (see Table 5-19). Entrepreneur Metal’s passion and confidence were closely related to opportunity identification and implementation (CF1+CF2+CF3). His passion was originated from two sources: his expertise in management and his love and attachment to the life in China. In the early stage of development, although Entrepreneur Metal did not have relevant knowledge in metal wires production nor anti-electromagnetic radiation products, he was confident since he understood how to efficiently manage Chinese experts and staff to achieve best performance. Entrepreneur Metal enjoyed his life in Nanjing and deeply rooted in. He was passionate to pursue opportunities to sustainably maintain his business in his new home. The passion of doing business in Nanjing also encouraged him to be the chair of Taiwanese entrepreneur association, to offer assistances to Taiwanese entrepreneurs interested in Nanjing market.

Passion		Confidence		Empathy	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CF1 Identified the opportunity in China	A1 Set up 1 st factory in Nanjing	CF1 Identified the opportunity in China	A1 Set up 1 st factory in Nanjing	CF4 Receive government notice to relocate plants	A4 Relocate the factory to new outskirts of Nanjing, accept the follow
CF2 Identified the trend of green products	A1 Commit in R&D	CF2 Identified the trend of green products	A1 Commit in R&D	CF10 Informal institutions	A4 Adaptation and adjustment
CF3 Identified the opportunity to produce specialized clothing	A1 Collaborate with local university, finance Jo's lab	CF3 Identified the opportunity to produce specialized clothing	A1 Collaborate with local university, finance Jo's lab		
		CF6 Receive several international awards of specialized clothing	A1 Increase commitment in R&D, collaborated with Chinese government labs		
		CF7 Invitation from Chinese air force to set up a joint venture	A1 Second factory in city H, joint venture with Chinese air force		
		CF9 Disputes with Army about management	A4 Diversified the company, use current network to prepare for "kicked out" by the army		
CF: critical incident of firm F, see Appendix C A: entrepreneurs' actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-19: Positive emotions and actions, summary of Appendix, Firm F critical incident table, source: author

Entrepreneur Metal experiences mostly positive emotions in China. For instances, employee and employers conflicts are common issues for Taiwanese entrepreneurs. But when I discussed with Entrepreneur Metal about this issue, he showed strong empathy during the discussion and suggested entrepreneurs themselves should be blamed for these conflicts (CF10). Entrepreneur Metal explained the dramatic changes of recent Chinese society, which significantly influenced his management

style. Being considerable, humble and understanding your staffs are compulsory to survive in present China. He explains by his meditation experience.

“I solved at least 30 cases of employer and employee conflicts. Although I am a Taiwanese, I have to say we are wrong. They are lack of “Zhongyong”... Most of cases were because of the attitude of Taiwanese entrepreneurs. They were too arrogant, lack of communication and tried to train their staff like a machine. This (management style) worked well 20 years ago but not now. Due to the one child policy, the young generations are the precious of family; you can’t imagine what Chinese parents can do for their child... Thus, the old fashion way is not working anymore, you have to respect your staff, listen to their opinions, and use rewards instead of punishments. 20 years ago, Chinese workers could work 16 hours per day to make money, but now, if you ask your workers to take extra hours they may just quit... They are the boss now. Many Taiwanese don’t see this change and use militaristically formal management style, that’s why they experienced so many problems. You need to be considerable, humble, understanding your staffs and most importantly, build up a systemic management style and be hard-working to be their model...” (Quote F2, entrepreneur)

Entrepreneur Metal indicated to survive in China; an entrepreneur must follow “Zhongyong”, the Doctrine of the mean in Confucianism. In this case, Zhongyong is based on 3 principles: (1) self-control, self-learning, and self-regulated (2) empathy and forgiveness (3) being sincere and faithful. Zhongyong was Entrepreneur Metal’s discipline in interpersonal relationship and management. Zhongyong allowed Entrepreneur Metal to be peaceful, humble and empathy to difficulties and conflict, moreover, be accustomed and learns from Chinese culture and institutions.

5.2.1.3 Negative emotions and actions

Table 5-20 presents the negative emotions and actions in critical incidents. I identified fear and anger in critical incidents. Fear refers to worry and uncertainty of future. Fear usually associated with passive actions except CF5. Entrepreneur Metal was determined to stay in China, thus he increased commitment in R&D despite high-risk perception. It is true that fear usually associated with passive strategy (like previous cases). But Entrepreneur Metal’s “must” stay in China drove him to take actions thus transferred his fear of rising costs to confidence (the development of high-value added products).

Fear		Anger		Disgust	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CF8 Army want to take over the control of second plant	A4 Incrementally shift the focus to Nanjing factory	CF4 Receive government notice to relocate plants	A4 Relocate the factory to new outskirts of Nanjing, accept the follow		
CF5 Rising costs	A1 Business transformation and automation	CF9 Disputes with Army about management	A4 Diversified the company, use current network to prepare for “kicked out” by the army		
		CF11 Copy right issues, imitation	A1 Commit more in R&D, faster than the competitors		
CF: critical incident of firm F, see Appendix C A: entrepreneurs’ actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-20: Negative emotions and actions, summary of Appendix, Firm F critical incident table, source: author

In general, Entrepreneur Metal did not have many negative memories in China. He experienced anger in some events but seemed to accept it quickly and found a solution. In 2005, Entrepreneur Metal was requested by Nanjing Government to relocate to outskirts of Nanjing for urban planning (CF4). Nanjing government promised compensation and land for this relocation. However, Entrepreneur Metal did not receive compensation and he found his old location became a small park and a large supermarket, which was owned by the relatives of a government authority. Entrepreneur Metal was irritated at first but soon accepted the reality. He understood this is Chinese way of doing thing. Although the government might pay compensation or returned the land if he fought for it, it was not a wise decision to challenge the authority. Entrepreneur Metal rather gave “face” to the authority to show his respects and enhanced political ties. He indicated the importance of “face”, which also called Mian-zi in Chinese culture. In China, compromise can transfer a conflict to a friendship, particularly with government.

Entrepreneur Metal’s in-depth understanding of China prevented him from disgust. By following Zhongyong, he enjoyed his life in China. Although his son, Sam, had negative interpretation of some incidents, this section mainly discussed Entrepreneur Metal’s interpretation since he was the key decision maker of Firm F. In summary,

Entrepreneur Metal was attached and determined to stay in China for his positive predispositions, family and personal goals. Although this decision was not rational optimal from an economic perspective, this was a satisfied decision for Entrepreneur Metal.

5.2.2 Firm G and Entrepreneur Construction

Entrepreneur Construction was the ex-general manager of Firm C. He resigned from Firm C in 2011 and established a construction company (Firm Construction), focusing on interior decoration. Entrepreneur Construction set up Firm G for his experience, knowledge, networks in this industry and most importantly, his family in China. Entrepreneur Construction married a Chinese in 2010 and had a 2 years' old boy. Entrepreneur Construction decided to settle down in Nanjing and set up Firm G to support his family.

Entrepreneur Construction was continuously seeking for opportunities in China. In addition to his construction business, Entrepreneur Construction used his networks to promote innovative building materials and decorating tools (CG2, CG3). He became the broker who introduced foreign companies to right distributors and demonstrated new materials to designers. Firm G was famous for innovative, chic and modern interior decoration using quality and innovative materials. Entrepreneur Construction described the uniqueness of Chinese market and his entrepreneurial experience.

“China is a very unique market; they have been isolated for years that create very unique consumer behaviours...Innovative and good products are not necessary work in China. The most important thing is how you share the profit with distributors and how you promote. Promoting a product is not by imagination and it is unpredictable. This is why many large foreign companies visit me for market information and collaboration. I know how to modify the product to Chinese style and how to communicate with Chinese distributors.” (Quote G3, entrepreneur)

Figure 5-9 presents the organizational structure of Firm G. Entrepreneur Construction developed his consulting business by utilizing his network and knowledge in this industry.

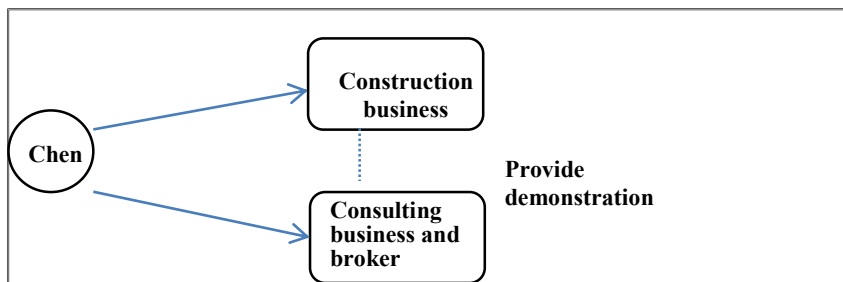


Figure 5-9: Organizational structure and management, Firm G, source: author

The following sections present the summary of Firm G critical incident table.

5.2.2.1 Individual variables and reasons to enter and stay in China

Table 5-18 presents the individual variables in making internationalization decisions. Although Entrepreneur Construction entered China for economic reasons such as his network, knowledge, and the potential of construction business, the most critical reasons were to stay and support his family. Due to family reasons, staying in China was Entrepreneur Construction's only and best option. Firm G allows Entrepreneur Construction to spend more time with his family; moreover, being an employee for 20 years, he wanted to experience the life as an entrepreneur. His first priority was the family, and then his ambition.

"I can do business everywhere; I can go back to Taiwan stay in Firm C or create my business. I can go to Vietnam with my friends. I can go to Thailand. My customers invite me to be the consultant. But I just want to stay in Nanjing because my family is here. My baby is just 2 years old and I want to participate his childhood. I don't have high expectation for my life. I only need a house, a car, a dog and enough money to support my family. I don't have much ambition and don't need much money. I only hope my family can be happy and healthy every day, that's it." (Quote G2, entrepreneur)

For Entrepreneur Construction, staying in China was not an economic or strategic decision. It was the most important decision in his life and it was a personal choice. This decision might not be the best option for his career, but it was the most suitable one for his life. Entrepreneur Construction was optimistic about company development and kept searching opportunities for future expansion.

Critical incidents and actions	Why	Code
CG1 Entered into China and set up Firm G	Entrepreneur likes China and married a Chinese	Positive predispositions
CG4+CG5 Learn and adapt to Chinese culture, environment, unspoken rules and overly bureaucratic government	Entrepreneur likes China and must stay in China.	Positive predispositions
CG1+CG2 Entered into China and explore opportunities	Entrepreneur likes China and married a Chinese, want to stay in China with his family	Family
CG1 Entered into China and set up Firm G	The goal to be an entrepreneur	Personal goal
CG3 Collaborate with foreign companies and become a broker	The goal to be an entrepreneur and interests in innovative paint	Personal goal

Table 5-21: Individual variables, summary of Appendix, Firm G critical incident table, source: author

Positive predispositions

As the ex-general manger of Firm C, Entrepreneur Construction was strongly influenced by his working experience in China. Unlike Entrepreneur Paint, Entrepreneur Construction had positive predispositions to China. Entrepreneur Construction told me he enjoyed the hospitality from Chinese. His positive predispositions allowed him to have positive future prediction, showed empathy to negative incidents including institutional problems or overly bureaucratic government (CG4, CG5, see empathy in next section for discussion).

Family

Family was the most important variable for Entrepreneur Construction to enter and stay in China (CG1); in addition, being a father enhanced his determination to stay in China and develop a successful business (CG2). Entrepreneur Construction kept exploring opportunities including using his networks to promote innovative building materials and introducing foreign companies to right distributors.

Personal goals

Entrepreneur Construction's personal goals of being an entrepreneur and his knowledge in painting industry drove him to set up a construction company (CG1). His positive predispositions, personal goals and family significantly increased the non-economic value of the firm. The initial and most vital variable for Entrepreneur Construction to make decision was to support and stay with his family in China.

5.2.2.2 Positive emotions and actions

I identified three positive emotions from critical incidents: confidence, passion, and empathy (see Table 5-22). Entrepreneur Construction's passion was originated from his personal attachment to China. Entrepreneur Construction said Chinese market was a rising star with great potential. It was a paradise for entrepreneurs who understood Chinese business environment. Entrepreneur Construction was confident about his venture for his expertise and knowledge of China thus minimized his risk perception and encouraged the entry plan. Entrepreneur Construction increased his commitment and introduces more services to his customers 3 months after entry. The birth of his son motivated him to work harder and make more money (CG2) to provide a better life for family.

Passion		Confidence		Empathy	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CG1 Married and have a family in China, identify opportunity in construction	A1 Set up Firm G	CG1 Married and have a family in China, identify opportunity in construction	A1 Set up Firm G	CG 4 Informal institutions	A4 Learn and build guanxi
CG3 Meet Malaysian wall paper paint manufacturer	A1 Identify new opportunities and be the broker in construction material industry	CG 4 Informal institutions	A4 Learn and build guanxi	CG5 Overly bureaucratic government	A4 Learn and follow, build more guanxi

CG: critical incident of firm G, see Appendix C
A: entrepreneurs' actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)

Table 5-22: Positive emotions and actions, summary of Appendix, Firm G critical incident table, source: author

Entrepreneur Construction experienced formal and informal institutional problems in China. He said these problems could be found all over the world. Discussing these problems with his Chinese friends and his wife allowed him to view this problem from their perspectives (CG4+CG5). Thus, he used to a more positive attitude and local way to solve problems. Entrepreneur Construction had similar conclusion like

Entrepreneur Metal regarding the right attitude to survive in China, to show empathy, to learn and self-control.

5.2.2.3 Negative emotions and actions

I identified two negative emotions from critical incidents: anger and fear (see Table 5-23). Entrepreneur Construction experienced negative incidents influencing his operation in China, but these events left positive outcomes to Firm G’s development. For instance, Entrepreneur Construction was angry about unspoken rules, corruption, overly bureaucratic government and delayed payment (CG4). Anger drove him to seek for solutions and consult experienced entrepreneur or locals. Through this action, he learnt to identify the similarity and difference between Taiwanese and Chinese and used this finding to smoothly handle these problems.

Fear		Anger		Disgust	
Incidents	Actions	Incidents	Actions	Incidents	Actions
CG6 Lack of skilled labour	A2 No immediate actions, accept the inevitable result of one child policy	CG 4 Informal institutions such as unspoken rules	A4 Accept the follows, build more guanxi		
		CG5 Overly bureaucratic government	A4 Accept the follows, build more guanxi		
CG: critical incident of firm G, see Appendix C A: entrepreneurs’ actions (A1: increased commitment, A2: no changes, A3: decreased commitment, A4: learning and adaptation, A5: international exit, see Appendix B for coding rules)					

Table 5-23: Negative emotions and actions, summary of Appendix, Firm Construction critical incident table, source author

Entrepreneur Construction categorized two major problems that may result in negative emotions: (1) problems from formal and informal institutions such as maintaining guanxi with government, understanding unspoken rules and employee and employer conflicts. This problem could result in serious conflicts and depress entrepreneurs. He tries to stay calm, be open-minded and listen to other people.

My best advantage to survive in China is I am not stubborn. I am very flexible and open to any suggestions. I heard too many stories in China, including European investors. These people, including some Taiwanese, are too civilised, too stubborn and live in their own world. They lock themselves in 5 star hotels and eat KFC every day, how can they understand China and manage Chinese? You have to talk to locals and understand what they are thinking... Don't be so quibble, what's the point to argue with your staff for taking commissions from a bulb even all bulbs in the factory. Taking commission makes them become more responsible about quality

because they want to make it long-term. You just need to control the large spending, others can let it go. 3~5 % of total spending is a reasonable range if this makes my staff happier and work harder (Quote G1, entrepreneur)

Another problem in China was the deteriorated environment including rising costs, lack of skilled labour, and intense competition. In facing these problems, Entrepreneur Construction accepted and tried to stay positive. Entrepreneur Construction told me that entrepreneurs should be aware of these problems but not overly panic since all companies, including your competitors, were facing the same problems. *“You should stay positive and prepare to pursue new opportunities”*.

In general, fear and anger had little negative impact on Entrepreneur Construction’s predispositions and willingness to stay in China. He used a positive attitude to analyse and solve the problem, and most importantly, he learnt from the problem. The knowledge from this learning process enhanced his capability and confidence in solving future difficulties, making him capable and hence willing to stay in China. Entrepreneur Construction was determined to stay in China for his positive predispositions to China, personal goals, and most importantly, his family. He said he set up Firm G for his family; his family was his top priority in making any decisions.

5.3 Summary

In summary, this chapter summaries critical incident table of each firm and presents findings from Taiwanese firms that exit/stay in China. This chapter presents an in-depth within case analysis of exit/stay firms. It provides a historical development of each of the case firms and an insight into entrepreneurs’ individual variables in decision-making (Theme A), entrepreneurs’ negative/positive emotions and actions (Theme B) and entrepreneurs’ definitions and the outcome of international exit (Theme C).

Analysis in this chapter confirms that international exit is not a rational and pure economic-driven decision. The non-economic value of owning the firm is highlighted and the emotional decision-making is emphasized. Entrepreneurs are not rational economic men who carefully calculate consequences; alternatively, they

exercise judgment and engage in mindful practice guided in part by their emotions and individual variables. It is true that good organizational performance and strategic importance increase the survival rate, but in my cases, entrepreneurs are sometimes driven by “other more important reasons” to make decisions.

This chapter provides a thematically analysed within case company profiles, which enables the study to prepare for the cross case analysis and discussion to be presented in the next chapter in relation to the theoretical literature reviewed.

Chapter 6 : Discussion

This chapter integrates the research questions developed in the literature review (chapter 2 and chapter 3) with the empirical findings in the previous chapter. It analyses the decision-making of international exit using the three themes (see section 6.1): individual variables, the role of entrepreneurial emotions and decision-making processes of international exit. It provides a novel explanation for international exit compared to conventional International Business (IB) literature including international exit (Coucke and Sleuwaegen, 2008; Geroski et al., 2010; Fisch and Zschoche, 2011), de-internationalization (Benito and Welch, 1997), and foreign divestment literature (Boddewyn, 1983). I examine why and how Taiwanese entrepreneurs invested in China make international exit decisions from an individual and non-economic perspective instead of the economic perspective found in the mainstream IB literature.

This research enriches the international exit literature in the IB field using data from an emerging economy and theories from the Entrepreneurship field. Additionally, it contributes to the exit literature in the entrepreneurship field by presenting empirical data of cross-border activities, showing how institutional distances, cultural conflicts, and political tensions influence entrepreneurs' decision-making. In doing so, my thesis responds to McDougall-Covin et al.'s (2014) call, bridging International Business (IB) and Entrepreneurship field. It adds to current decision-making model of international exit in IB field by combining the knowledge of Entrepreneurship field with my empirical evidence.

IB literature often uses an array of economic variables including macro environment (Geroski et al., 2010; Swoboda et al., 2011), institutions (Chung and Beamish, 2005), industrial condition (Shaver et al., 1997; Coucke and Sleuwaegen, 2008), organizational characteristics and resources (Mata and Portugal, 2000; Bercovitz and Mitchell, 2007), entry strategy (Isobe et al., 2000; Kronborg and Thomsen, 2009)

that result in foreign divestment, de-internationalization and international exit. These studies examine variables resulting in poor performance or strategic changes, which are considered to be the cause of international exit in mainstream literature (e.g. Benito and Welch, 1997; Boddewyn, 1983).

I question whether these economic variables are the only and principal variables that influence entrepreneurs in making international exit decisions? Benito et al. (2009) indicate the tendency to confuse measurability with importance. That is, economic variables are easier to measure or estimate. Thus, March (2006) indicates that scholars tend to consider economic variables as more real than those that cannot be easily measured, though the latter may be more important. This chapter reveals the ambiguous reality of decision-making of international exit, to uncover the important but more difficult to measure non-economic variables, referred as variables that may be less relevant to organization performance but important for entrepreneurs in decision-making.

According to IB literature, poor financial performance (Boddewyn, 1983; Li and Guisinger, 1991; Jackson et al., 2005 ; Coucke and Sleuwaegen, 2008) and strategic change (Tsang and Yip, 2007; McDermott, 2010; Fisch and Zschoche, 2012) are two major economic reasons of international exit. Following this economic perspective, environmental and organizational variables should be able to justify the decision of international exit. Interestingly, these economic variables (section 2.3.1 and section 2.3.2) cannot fully explain international exit of my case companies.

Figure 6-1 categorises five exit cases according to their financial statements and entrepreneurs' opinions. Firm A, B and C located in Quadrant I are inconsistent with current literature that firms exit host country for poor performance or less strategic importance. Entrepreneur Brush, Machine and Paint agree the strategic importance and profitability of their ventures in China. Thus, their exit decisions are non-rational from the economic perspective. Entrepreneur Food and Fruit also challenge current international exit literature. These two firms have experienced a consecutive five-year financial loss since establishment, and Firm E is not strategically important to the entrepreneur. These two failing firms should have been closed earlier but

persisted until 2013. Moreover, the two entrepreneurs shut down the firm not only for the poor performance but also for other non-economic reasons.

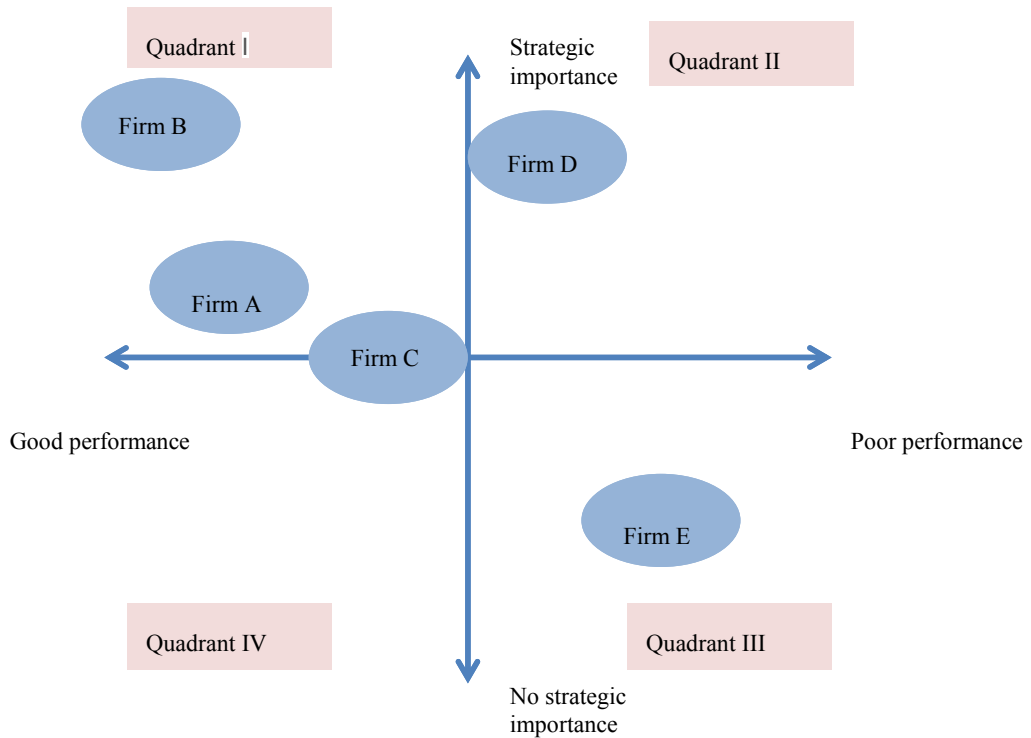


Figure 6-1: Typology of international exit, source: author

This finding challenges IB literature (see section 2.3) that firms exit resulted from poor performance and strategic changes. My findings indicate that strong performance and strategic importance are potentially (though not necessarily sufficient) reasons for an entrepreneur to continue their internationalization. I follow Staw's (1981) argument around escalation of commitment and DeTienne et al. (2008) study of the persistence of underperforming firms that viewed international exit by only economic variables is clearly insufficient to explain the unexpected exit of Entrepreneur Brush, Machine and Paint and the blind persistence of Entrepreneur Food and Fruit. To provide a more in-depth understanding of international exit, I now examine why entrepreneurs make the decision to internationally exit from a non-economic perspective.

6.1 Discussion Map

This section signposts this chapter; the structure of which addresses the main research question, three research themes, subsidiary research questions, and data. In this section, I examine the usefulness and feasibility of my theoretical framework (Figure 4-1) by using my data; the five exit cases and two stay cases. This discussion chapter is presented in three themes similar to Chapter 3. Table 6-1 presents the data and literature using in each theme. To enhance my arguments, many sentences are ended with a quotation or critical incident code, (e.g. Quote A1, CA1); Appendix C-1 and C-2 shows the full quotation and critical incident table of each case.

Main research question	Why do Taiwanese entrepreneurs who have invested in China exit?	Data demonstrating themes	Literature
Theme A	Why do entrepreneurs make the international exit decision? Viewed from an individual and non-economic perspective	Individual variables section of each case Critical incident and quotation table in Appendix C	Section 3.1
Theme B	How do incident-generated emotions shape entrepreneurs' actions in internationalisation from entry, operations to exit decisions?	The positive emotions and actions section of each case The negative emotions and actions section of each case Critical incident and quotation table in Appendix C	Section 3.2
Theme C	How do entrepreneurs make the decision of international exit and what is the outcome?	The entrepreneurs' definition, reasons, and consequence of exit section of each case Critical incident and quotation table in Appendix C	Section 3.3

Table 6-1: Subsidiary questions and data of each theme, source: author

In the following sections, firstly, I explain *why* entrepreneurs make international exit decisions from a non-economic perspective (Theme A). Secondly, I examine *how* entrepreneurs make international exit decisions by examining the causality of incident-generated emotions and entrepreneurs' actions in internationalization (Theme B). Lastly, I summarize Theme A and B and then present the revised theoretical framework of how entrepreneur makes international exit decisions (Theme C).

6.2 Theme A: Individual variables resulting in international exit

To answer the subsidiary research question, section 6.2.1 presents the non-economic variables emerging from the data, focusing on how non-economic variables drive or impede international exit decisions. Section 6.2.2 follows Zellweger and Astrachan's (2008) argument that a value of a business is built upon financial and emotional value. This section explores how individual variables decrease non-economic value of the firm and result in international exit.

Section 0 investigates the role of Chinese informal institutions and their impact on firm's economic and non-economic value. This finding supports Xu and Meyer's (2012) argument that institutional problems (including less efficient market, government interruption, network/guanxi based behaviour, and higher risks and uncertainty) distinguish international operations in emerging economies from those in developed economies. The institutional distances (part of liability of foreignness) increase the difficulty of foreign operation, and highlight the role of entrepreneurs' predispositions to host country.

6.2.1 Individual variables of international exit

This section focuses on individual variables influencing international exit decision. Much of IB literature on international exit assumes that organizational performance and strategic changes are two key reasons for international exit. That is, entrepreneurs make the exit decision based on firm's current/future economic value. As suggested in Figure 6-1, this statement inadequately explains my five exit cases. Following the debate in literature chapter, its reason could be that each entrepreneur has subjective threshold of performance (Gimeno et al., 1997; DeTienne and Cardon, 2012). Therefore, to provide a more persuasive view of the international exit decision-making, I centre-stage individual variables in decision-making including entrepreneurs' predispositions, family, and personal goals. The three variables may not have direct impact on organizational performance but affect entrepreneurs' decision-making.

The role of individual variables in exit decisions is shown in the escalation of commitment (Staw, 1981), threshold theory (Gimeno et al., 1997) and persistence (DeTienne et al., 2008) in the literature on underperforming firms. Staw (1981) suggests three non-economic exit barriers including entrepreneurs' motivation to justify previous decisions, norms of consistency, and perceived future outcome. DeTienne et al. (2008) extend this view by indicating the impact of environmental munificence, personal commitments, personal options, and previous experiences on making decisions to persist in underperforming firms. Both studies highlight the fact that heterogeneity amongst entrepreneurs can create unique exit barriers for each firm. Following this logic, I examine the heterogeneity among the entrepreneurs to uncover the individual variables resulting in international exit decisions. The next section discusses the first individual variable, entrepreneurs' predispositions to China.

6.2.1.1 Negative predispositions to China resulting in negative interpretation thus international exit

This section examines the importance of entrepreneurs' negative predispositions to host country in making exit decisions. The evaluation of environment and organization is a series of subjective selection and individual cognition (Nadkarni and Barr, 2008) that builds upon individual background, experience, knowledge and practice (Jarzabkowski and Spee, 2009). Because of the political tension between Taiwan and China, most of the informants connect their business operation with this cross-straits relationship. Some entrepreneurs exhibited strong negative predispositions to China while others refused to talk about this issue initially, but expressed their positive predispositions to China in the later stage. My data suggests that entrepreneurs' predispositions to China can shape their perception of external changes and that external changes can also alter their predispositions. Entrepreneurs' predispositions may be adjusted but they appear difficult to reverse.

As shown in section 4.2.1, the entrepreneurs' predispositions refer to a liability, a tendency to act in a particular way, or to hold a particular attitude. As suggested in section 1.2, due to the political tension and historical connection, Taiwanese

entrepreneurs usually have a predisposed attitude toward China before entry. This initial piece of information influences subsequent judgements.

Table 6-2 presents entrepreneurs' predispositions to China and their impact. Entrepreneur Fruit, Metal and Construction show their positive predispositions and attachment to China (Quote E5, F3, G2 and case description). The positive predispositions enhance entrepreneurs' willingness to stay in China for the non-economic gain they made. Although Entrepreneur Brush and Food do not show strong attachment to China, in general, they still have positive predispositions to this country.

Predispositions (P)	Entrepreneur	Critical incidents (C)	Outcome
Negative predispositions to China	Machine, Paint	Chinese formal institutions, political system and living environment (-P) CB3, 5, 6, 9, 11, 12,13 CC6, 7, 11	Divestment, reject opportunities, adaptation, exit China
	Machine, Paint	Chinese people and their ways of doing things, informal institutions (-P) CB3, 7, 8, 9, 10, 13 CC5, 6, 10	Divestment, reject opportunities, adaptation, exit China
Positive predispositions to China	Fruit, Metal, Construction Brush, Food	Attachment to China (P) CE1, 9, CF 1, 5, 10, CG 1, 4, 5 Positive predispositions to China CA6, 11, CD6, CD9	Entry, stay, increase commitment in China, learning and adaptation

Table 6-2: Critical incidents and predispositions, source: author

Entrepreneurs with negative predispositions to China usually use these to negatively interpret critical incidents. In this case, the entrepreneurs judge critical incidents through their negative predispositions, thereby, making it easier to exit China despite good performance and strategic importance of their firms. For example, Entrepreneur Machine had negative predispositions to Chinese environment and Government. He felt depressed and insecure in China (Quote B3, B12). Thus, he downsized his venture to reduce his stay in China although this action negatively impacted upon Firm B's organizational performance. Moreover, he rejected opportunities to improve its financial returns. His negative predispositions can be found in many

critical incidents (Table 6-2). His negative predispositions prevented him from further commitment in China despite the potential for great profit (Quote B5).

Because of his political preference, Entrepreneur Paint had negative predispositions towards the Chinese Government before he entered China. His negative predispositions negatively impacted on Firm C's operations in terms of entry time and opportunity exploration. His negative image towards the Chinese Government was extended to Chinese people and institutions in the later stages. For example, Entrepreneur Paint caught his Sales Manager taking commissions and he concluded that all Chinese staff was unreliable (Quote C5). Consequently, he applied a militaristically formal management system to strictly control his sales; this significantly increased operating costs and led to more employee-employer conflicts. In addition, Entrepreneur Paint rejected promising opportunities and expansion to avoid further commitment since he felt insecure and risk adverse in China (Quote C6). The negative predispositions strengthen the negative impact of critical incidents, and result in risk-adverse decisions.

By comparison, Entrepreneur Fruit and Construction experienced the same event but exhibited a more positive attitude toward solving the problems. Entrepreneur Fruit believed in China as a positive predisposition (Quote A4). He viewed the critical incident as a result of poor management systems and responded by improving his accounting system. Entrepreneur Construction considered bribery and unethical commission to be part of operating costs and responded by paying bonuses to his staff (Quote G1). They accepted and learnt the Chinese ways of doing things since their attachment to that country minimised the negative impact of critical incidents. Entrepreneurs with positive predispositions were found to have a lower risk perception and a more optimistic market evaluation, and therefore, were more likely to explore opportunity and increase commitments (Quote E6, F3).

These findings support the argument in section 3.1.1 that entrepreneurs' predispositions are the outcome of individual learning in the host country. With repeated negative experience and emotions, entrepreneurs' negative predispositions become part of their habitus, and entrepreneurs associate critical events with specific

context. Hence, when this context emerges that negative emotions will be recalled and affects the decision-making. That is, entrepreneurs are used to interpreting things negatively instead of fairly judge information, and they may incrementally extend negative predispositions to perceive everything (e.g. Entrepreneur Machine and Paint). The predispositions are like lenses that entrepreneurs look at everything through.

Using a learning perspective to explain the role of predispositions in decision-making, the decision is the result of interplay and iteration between individual learning (Vygotsky, 1997), organizational practice (Jarzabkowski, 2003) and context (Hofstede, 1980; Nutt, 2008). If entrepreneurs have negative predispositions through this process, they may automatically interpret critical incidents through a negative lens and view it as negative experience. In Entrepreneur Machine's case, his repeated negative experience result in negative predispositions, affecting his judgment of critical incidents. In Entrepreneur Paint's case, his pre-existing negative predispositions to Chinese Government delayed his investment plan and affected his judgments. Both entrepreneurs learnt that Chinese were unreliable and Chinese Government was hostile, hence, it increased their risk perception while decreased the opportunity pursuit and their willingness to stay.

In comparison, if entrepreneurs have positive predispositions (Entrepreneur Brush, Food, Fruit, Metal, Construction), they are more likely to interpret critical incidents through a positive lens and minimize the negative impact. Entrepreneurs' positive predispositions can reduce their risk perception since they learn mostly positive things in the host country. For example, Entrepreneur Brush, Fruit and Construction used a relatively positive attitude to judge the unethical behaviours of their staff. They tend to see things from the bright side thus lower their risk perception and increase the chance of opportunity pursuit. In Entrepreneur Fruit's case, he rapidly expanded his business for his over-optimistic market evaluation. This also resulted in his persistence in keeping an underperforming firm.

Sapienza et al. (2006) argue that entrepreneurs' experience is a positive variable to venture survival since it reduces the liability of newness while enhancing opportunity

recognition. However, my data shows entrepreneurs with negative predispositions usually make pessimistic judgments according to their perceived negative experiences. Following Fern et al. (2012), their experiences are like an “iron cage” constraining firm’s strategic choices and limiting firm’s future development. In addition, Echoing Shepherd (2003) I find that that cumulated experience may not always lead to better decision-making outcomes.

This section indicates entrepreneurs’ predispositions constitute their rules of thumb. Positive predispositions are associated with a more exploratory behaviour while negative predispositions are connected with exploiting and risk-averse behaviour. Both predispositions may have negative and positive impacts on organizational operation. Entrepreneurs’ experience is not necessarily positive to organizational survival since it is interpreted by their different predispositions. Bourdieu (1990) suggests entrepreneurs’ predispositions may be changed by experience. My data indicates entrepreneurs may enhance or reduce their current predispositions but they are difficult to reverse (Kahneman, 2011), particularly for those entrepreneurs with strong predispositions. For example, Entrepreneur Food’s predispositions can be shifted from being neutral to being positive through learning and adaptation, but Entrepreneur Machine’s very negative predispositions are difficult to shift to positive ones since he isolated himself from locals (no learning) due to his strong negative predispositions to China (see section 6.3.1.3 for further discussion).

Rational decision-making literature assumes people process information fairly, aiming to achieve rational optimum. Following this concept, conventional international exit literature suggests international exit is driven by organizational performance and strategic direction to achieve the maximum economic returns (Boddewyn, 1983; Benito and Welch, 1997; Benito, 2005). Nevertheless, my data challenges this view, finding that entrepreneurs who have negative predispositions to China tend to be more pessimistic, risk-averse and hence avoid further commitment despite good company performance. Moreover, consistent with Kahneman and Tversky (1979) and Vygotsky (1997), the predispositions from socio-historical experience may be adjusted, but is hard to reverse. Entrepreneurs with negative initial image tend to strengthen these predispositions thus hard to reverse them.

Negative predispositions result in risk-adverse or pessimistic attitude because the entrepreneurs tend to interpret things negatively. It decreases entrepreneurs' willingness to stay in China and the perceived non-economic value of owning the firm, thus increasing entrepreneurs' threshold of performances.

6.2.1.2 Inconsistency with family interests resulting into negative non-economic value

Sui (2014) reports that 90 % of Taiwanese firms are family businesses. Kontinen and Ojala (2010) indicate the different characteristics between non-family and family business are the involvement of the family in the ownership and management of the firm. Gomez-Mejia et al. (2011) suggest that socio-emotional wealth preservation is the most important differentiator of the family firm as a unique entity and, as such, helps explain why family firms behave distinctively. That is, a family business is built on the interests of both family and firms. Following this definition, although selecting a family business is not one of my sampling criterion, all of my case companies are family businesses. Thus, the seven entrepreneurs are also family business owners in this research. This section examines the role of family in decision-making in internationalization and extends the socio-emotional wealth concept.

Family (F)	Entrepreneur	Critical incidents(C)	Outcome
Family ownership succession	Brush	Dispute with general manager to ensure full family control (-F) CA1, 7, 8, 12, 13, 14	To ensure fully family control, entrepreneur refused to allocate shares to general manager. General manager resigned and resulted in serious conflicts and eventually led to exit decision.
	Machine, Fruit	Lack of appropriate family members to inherit the business (-F) CB 9, CE 8	Entrepreneurs rather sold/ closed firms than hiring professional managers → International exit
Meet family member's needs	Brush, Machine, Fruit, Metal, Construction	Entered China or expanded business to provide a better life for family (+F) CA1, 7, 14, CB1, 4, 9, CE1, CF7, 10, CG1, 2	Entered China, opportunity implementation, and stay/ exit China.

Table 6-3: Critical incidents and family, source: author

Table 6-3 shows how family control and business succession influence entrepreneurs' decision-making (Entrepreneur Brush, Machine and Fruit). For the three entrepreneurs, their children are the only successors of their business, so ensuring a successful business succession and family control are their top priority. Consistent with the finding, Professor Tang who researches Taiwanese family business said in Sui (2014): *"In Taiwan, though, it's still the emperor's style of succession. No-one outside can tell what will happen - it's the founder's decision."* Entrepreneurs consider their ventures as personal belongings, which can only be shared with their family. Although the mainstream family business literature predicts that family firms are more risk adverse in making decisions than non-family firms (Basu et al., 2009), consistent with Gomez-Mejia et al. (2011), my data indicates that family business owners could be extremely risk-taking to ensure the family control of the business.

Entrepreneur Brush will take any actions to ensure full control of the family business including international exit. The unexpected exit is a reflection of socio-emotional wealth (SEW) preservation that passing his business to his children and protecting them from external threats. SEW refers to the non-economic aspects of the firm that meet the family's affective and material needs (Gomez-Mejia et al., 2011). Although SEW is viewed as an organizational level concept in Gomez-Mejia et al. (2011), my finding indicates SEW is also applicable to individual level analysis. SEW not only explains why family firms behave differently to other firms but also illustrates why family business owners behave differently to other business owners. Using psychological ownership theory to support this argument, family business owners commit, control, and view their businesses as the extension of self-identity (Pierce et al., 2001). Hence, it is no doubt that family business owners will generate negative emotions once the psychological ownership is challenged by non-family members (Brundin et al., 2014). My data agreed with this viewpoint and found entrepreneurs integrate their individual psychological ownership with the SEW of their family businesses. That is, if the ownership of the business is challenged, including family and psychological ownership, entrepreneurs' negative emotions will be generated (e.g. Entrepreneur Brush). Necessary actions will be taken to protect the psychological and family ownership.

Generation in control is viewed as a characteristic in family business and this is Entrepreneur Brush's first priority in current stage. It is like his inviolate rules. Although collaborating with non-family professionals can reduce company risks and receiving numerous financial returns, He still wants his children to have full control of the company. The role of preservation of socio-emotional wealth can be found in his rejection of an acquisition offer from a MNE and conflicts with his previous general manager. Adding to Zellweger et al. (2011) that family owners are less likely to sell their business, my case provides empirical evidence that those entrepreneurs may not sell or shut down their foreign business for economic reasons. They would rather take actions to protect family interests at any costs (including sell their business).

The role of the family is also shown in choosing exit strategies. Entrepreneur Machine decided to exit for a new personal goal and his aversion to China. Following DeTienne and Chirico (2013), he has three potential entrepreneurial exit strategies: (1) shutting down or selling Firm B (cessation-based/financial reward strategy) (2) passing it to his daughter (stewardship based strategy, family member) or (3) hiring non-family managers (stewardship based strategy, non-family member). Entrepreneur Machine selected a cessation-based strategy since his daughter refused to take over Firm B. Entrepreneur Fruit also presents a similar story that he shut down the business because his daughters had other commitments. This finding provides empirical evidence for Detienne and Chirico's (2013) argument that a stewardship-based exit strategy is usually the first choice for family business owners to preserve family SEW. Interestingly, when entrepreneurs cannot find a suitable family successor, they would rather shut down or sell their businesses instead of searching for non-family successors.

In addition to SEW, meeting the family's needs also drives entrepreneurs' decision-making. Entrepreneur Brush, Machine and Construction suggest they set up a business to make more money and provide a better life to their family. Entrepreneur Construction clearly indicated he set up his business in China for his family. Entrepreneur Fruit said he set up the business not for profits, but rather for fun and for his daughters. Furthermore, Entrepreneur Metal collaborated with the Chinese

Government for his son, although he understood that was a risky and unwise decision. In this case, the firms are created to meet the non-economic motives of the family collective and thus entrepreneurs are less sensitive to financial performance. Echoing DeTienne and Chirico (2013), this firm has high SEW thus significantly reduces the threshold of performance.

My empirical evidence support the following propositions from Gomez-Mejia et al. (2011):

- a) Family business entrepreneurs are more willing to make decisions with greater risk if it is necessary to preserve SEW.

Entrepreneur Fruit's persistence in underperforming Firm supports:

- b) Family business entrepreneurs are more willing to make decisions leading to below-target performance relative to their past performance or the performance of their competitors if these choices enhance SEW.

SEW increases the non-economic value of the firm, thus compensates the economic loss and decreases entrepreneurs' threshold of performance.

Additionally, SEW not only positively impacts on the entrepreneurs' willingness to stay in China but also affects the entrepreneurs' exit strategies. My findings he with DeTienne and Chirico (2013) that transferring a successful and high SEW business to the next generation is the entrepreneur's first priority. However, under the circumstance where the next generation refuses the take over the business, entrepreneurs are still less likely to hire professional managers, even though it is an economic rational decision.

- c) Preserving SEW and family members' needs are critical tasks for family business entrepreneurs. Entrepreneurs may make a decision based upon family interests instead of organizational interests.

For Becker (1981), these decisions may be described as altruism, which is associated with efficiency and economic rationality in family firms. However, this section challenges this view since these decisions are irrelevant to neither economic actions

nor rationality. Entrepreneur Brush said his firm was the extension of his family carrying family value, culture and belief. Thus, entrepreneurs would rather close the firm rather than allowing non-family members to join the board of directors. Other entrepreneurs also behave in similar ways where they feel obligated to sacrifice their own economic/ non-economic benefits for their children. For example, although Entrepreneur Machine felt uncomfortable, he kept on running his business in China to financially support his daughter's life in USA. Entrepreneur Metal set up a joint venture for his son although he could foresee a failure. They felt it was their responsibility to feed, support or even develop a comfortable future for their children. Accordingly, I found there was something more than SEW for entrepreneurs to make decisions. It is not only how a family is emotionally attached to this venture; rather how the entrepreneurs can use this venture to achieve the greatest perceived benefits for their family, particularly the next generations. It is a Taiwanese father's wish that benefits their children at any costs, and there are no expected returns, boundaries or guidelines. This finding is consistent with Confucianism culture that it is a natural law that parents sacrifice for their children and vice versa.

Sharma and Manikutty (2005) propose that, among other factors, culture has an impact on attachment and on decision-making of family firms, and this may differ depending on whether it is in a collectivistic or an individualistic society. Hofstede indicates that Taiwan, with a score of 17, is a collectivistic society. Hence, it is expected that Taiwanese entrepreneurs use the family as the unit to make decisions and family play a more vital role in this society. Confucianism enhances this belief that relations with others are the most important criteria in making judgments. That is, an entrepreneur is not an economic rational person in making decision but a relational person who considers family (usually children)'s welfare in making decisions. Echoing Hatem (2012), the second generation usually drives international strategic direction using the overall family resources to pursue their own personal initiatives. My data suggests second generation is the key reason for entrepreneurs to enter, stay or and exit China.

Although organizational performance is important, in an entrepreneurs' mind, there may be something more important than financial performance. Family and SEW are

rarely discussed in international exit literature since even the family business literature suggests family ownership have either no or only minor effects on organizational performance (Tsao et al., 2009; Sacristán-Navarro et al., 2011). Family SEW and goals may have little connection with firm's economic value but significantly affect firm's non-economic value. Applying SEW in decision-making explains the otherwise inexplicable exit of Entrepreneur Brush and the exit strategy of Entrepreneur Machine and Fruit. The next section discusses the third individual variable: personal goals.

6.2.1.3 Not achieving personal goals resulting in decreased non-economic value

Entrepreneurs' behaviour is driven by multiple goals. From a conventional viewpoint, entrepreneurs set up foreign ventures to achieve profit maximizing in the short or long-term (Dunning, 1988a). My data suggests a different story, i.e. that entrepreneurs have multiple goals when starting a foreign venture, many of which are non-economic including the desire to prove himself (Entrepreneur Brush, Machine, Paint, Food, Fruit and Metal), personal interests (Entrepreneur Machine, Food, Fruit, Metal and Construction) and of course, to make more money. Although the desire to prove himself (or "gain face" in Chinese) and personal interests have no direct impact on organizational profit maximization, consistent with Headd (2003) and Chrisman et al. (2012), entrepreneurs' non-economic goals still play a role in decision-making in terms of resource allocation, strategic direction, and threshold of performance.

My data suggests entrepreneurs make international entry and exit decisions for personal and emotional reasons (see Table 6-4). Although this decision may be justified by economic variables, entrepreneurs' goal is usually the key to determine when and what kind of business they are going to do. Consistent with Morton and Podolny's (2002) study that entrepreneurs who have love in their business behave differently from those who only want to make profit; in my cases, entrepreneurs who set up the business for personal goals tend to be less sensitive to poor financial performance and persist in their business.

Entrepreneur Food and Fruit are good examples of the role of personal goals in persisting with failing businesses. Although these two firms have poor financial performance in China, their entrepreneurs persisted for five-years for personal reasons. Entrepreneur Food learnt from his experience in Taiwan that his persistence could eventually lead to a success. Thus, he kept his poor performing business with this belief and love to French dessert. Entrepreneur Fruit was also driven by his personal interests in promoting fruit from Taiwan. His expansion plans were usually driven by this goal instead of careful evaluation and rational judgment. This business was not for making profit but for entrepreneurs' personal goal.


Personal goals (G)	Entrepreneur	Critical incidents	Outcome
Goal accomplishment	Brush, Machine, Paint, Food, Fruit, Metal	Self-achievement or face (+G) CA1, CA2, CA6, CA7, CB1, CB2 CC1, CC2, CD1, CE1, CE3, CE5, CF1, CF2, CF3, CF5	Set up business/ expansion/ increase commitment
	Machine, Food, Fruit, Metal, Construction	Self-interests (+G) CB4, CD1, CD2, CD3, CD4, CD7, CE1, CE3, CE5, CF6, CF10, CG1, CG3	Set up business/ expansion/ increase commitment/ opportunity identification
			
Shift of personal goal	Brush	Relocate factory to Vietnam for children and dominate global market (-G) CA14	International exit
	Machine	Wish to have a healthy and relax life instead of working in China (-G) CB9	International exit
	Paint	Shift focus from painting industry to construction industry (-G) CC6	International exit
	Food	Shift focus from dessert to bakery (-G), CD8	International exit

Table 6-4: Critical incidents and personal goals, source: author

Echoing Csikszentmihalyi (1990) conclusion that people enjoy the greatest happiness by doing something they want to do and are good at, they became less sensitive to financial loss substituting instead emotional gain. I extend this view to decision-making that entrepreneurs who enjoy running their foreign ventures are more tolerant to financial loss since they enjoy doing business in China. The joy increases the non-economic value of the firm and enhances their willingness to stay in China. However, this situation changes when entrepreneurs shift to their personal goals. Kahneman (2011) indicates that people frequently change their goals thus their

attention can be distracted from current preferences and unwittingly create a new commitment (Cho and Hambrick, 2006; Mitchell et al., 2011). I advance this argument that the shift of personal goal could result in dramatic changes in internationalization including international exit since entrepreneurs relocate resources to pursue new goals.

In the late stage of internationalization, Entrepreneur Paint made up his mind to exit China when he found a more attractive business. His attention shifted from a painful Chinese investment (due to negative predispositions) to construction business in Taiwan. The new goal and entrepreneurs' strong negative predispositions to China overcame the economic exit barrier: good performance and strategic importance of Firm C and the non-economic exit barrier: Entrepreneurs' face (Quote C1). Similarly, Entrepreneur Machine exited China to pursue a better life and escape from the nasty environment despite the high economic value of his venture. In comparison, for those entrepreneurs who enjoyed their business in China, they also exited China as a result of a shift of personal goals. Entrepreneur Food had to make this difficult decision to pursue another opportunity. Entrepreneur Fruit had to give up his favourite business to ensure the survival of his core business. It is interesting to point out that entrepreneurs who exit China with positive predispositions are more likely to enter China again. For example, Entrepreneur Food will open a bakery in China and Entrepreneur Fruit is interested in reopening his business once he is free from current duty. For those entrepreneurs who have aversion to China, they may establish the business again in any country except China (see section 6.4.1 for further discussion).

Headd (2003) and Morton and Podolny (2002) indicate that entrepreneurs' personal goals can play a role in resource allocation and strategic direction. I advance their arguments by explaining why entrepreneurs' personal goals can diverge the decision-making from profit maximization. Using the concept of Gimeno (1997), the non-economic gains of entrepreneurs reduce their unique threshold of performance. Conversely, if the venture is inconsistent with entrepreneurs' personal goals, it will lower the non-economic value of owning the firm and increase the threshold of performance. The next section summarises three individual variables by presenting

how individual variables compose the non-economic value of the firm and affect threshold of performance.

6.2.2 Negative non-economic value encouraging international exit

My data supports the argument that international exit is entrepreneurs' personal choice (Headd, 2003) since only by including non-economic variables of entrepreneur, the unexpected international exit and blind persistence in business can be explained. Echoing DeTienne et al. (2008) that entrepreneurs has idiosyncratic threshold of performance and Zellweger and Astrachan (2008) that a value of a business is built on financial and emotional gain, this section indicates that international exit is resulted by firm's low or negative value, which is the sum of economic and non-economic value. Economic value can be viewed from two perspectives: organizational performance and strategic importance. This section discusses the composition of firm's non-economic value.

Figure 6-2 presents the composition of non-economic values: positive/negative predisposition to China, family, and personal goals. Negative predispositions to China reduce the non-economic value (Entrepreneur Machine and Paint) while entrepreneurs' positive predispositions (Entrepreneur Brush, Food, Fruit, Metal and Construction) increase the non-economic value. Family refers to family control of business, business succession within family, and family interests. If the business operation in China is consistent with entrepreneurs' family interests, they are motivated to stay in China (Entrepreneur Metal and Construction). Alternatively, if this operation endangers the preservation of family socio-emotional wealth, entrepreneur would rather shut down the company instead of risking loss of family control (Entrepreneur Brush). Moreover, in exit strategy, entrepreneurs choose shutting down the firm rather than hiring non-family managers since they view this company as an extension of their family.

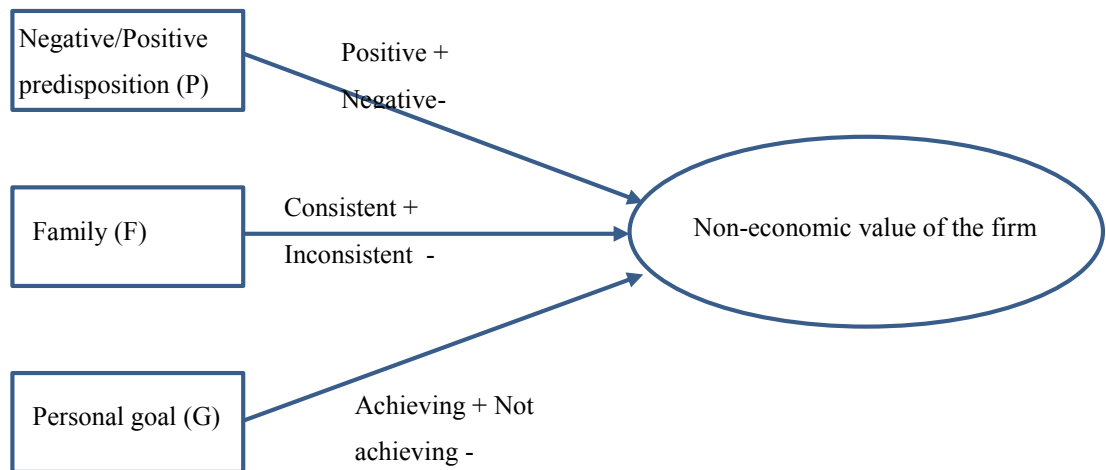


Figure 6-2: Non-economic value of firm, source: author

Entrepreneurs are motivated to stay in China if their ventures are consistent with their personal goal (Entrepreneur Food and Fruit). Their emotional gain of doing business in China is the substitute of financial performance, thus significantly reduces their threshold of performance. These entrepreneurs define their current loss as an investment for future development (Entrepreneur Food) or the costs of happiness (Entrepreneur Fruit). This view is consistent with Choo and Wong's (2006) research that Asian entrepreneurs are more likely to be driven by non-economic goals.

Non-economic value is built on entrepreneurs' predispositions, family, and personal goal as suggested in Figure 6-2. In general, lower non-economic value of the firm results in entrepreneurs' higher threshold of performance. Conversely, higher non-economic value of the firm reduce entrepreneurs' threshold of performance. Figure 6-3 shows the threshold of performance (TP) in my five exit cases has increased due to firm's lower non-economic value. Entrepreneurs require higher economic gain to compensate their non-economic loss. If the firm fails to meet the new TP, international exit becomes the outcome. The shift of TP in each case is explained below.

For Entrepreneur Brush, Firm A had very high economic value for its good financial performance and strategic importance (1ST market dominator). Initially, the non-economic value (NEV) is high since this venture was consistent with entrepreneurs'

goal (dominating Taiwanese market) and family socio-emotional wealth. In making international exit decision, the conflicts with previous general manager endangered the family control of Entrepreneur Brush, thus significantly decreased the non-economic value (New NEV) and result in new higher TP. Entrepreneur Brush shifted his goal from Anhui expansion to the Vietnam relocation to ensure full family control. The economic value of firm also decreased for less strategic importance. Hence, Firm A failed to meet new TP and international exit decision was made.

Firm B had very high economic value for its good financial performance and strategic importance (2nd market dominator). The non-economic value was low for entrepreneurs' negative predispositions to China but Firm B's high economic value still met the high TP. In making international exit decision, Entrepreneur Machine's new goals (enjoying a more comfortable life), the failed stewardship-based exit strategy (daughter refused to take over) and his aversion to China resulted in international exit for the unmet new higher TP. Firm C had high economic value for its growing financial performance and strategic importance. The non-economic value was low for entrepreneurs' negative predispositions to China. In making international exit decision, entrepreneur shifted his goal from being successful in Chinese market to the construction business in Taiwan. He closed Firm C for his aversion to China and new personal goals.

Firm D had low economic value for its poor financial performance. Entrepreneur Food persisted in the underperforming firm for five-years for the high non-economic value composed by his personal interests and goals. In making international exit decision, entrepreneur shifted his interests from dessert to bakery industry that decreased non-economic value of the firm and resulted in higher new TP. Firm E had low economic value as a result of its poor financial performance. Entrepreneur Fruit persisted in the underperforming firm for 4 years for his positive predispositions to China, family needs, and personal goals (opening a small outlet and promoting fruits from Taiwan). In making international exit decision, Entrepreneur Fruit shifted his focus from Firm E

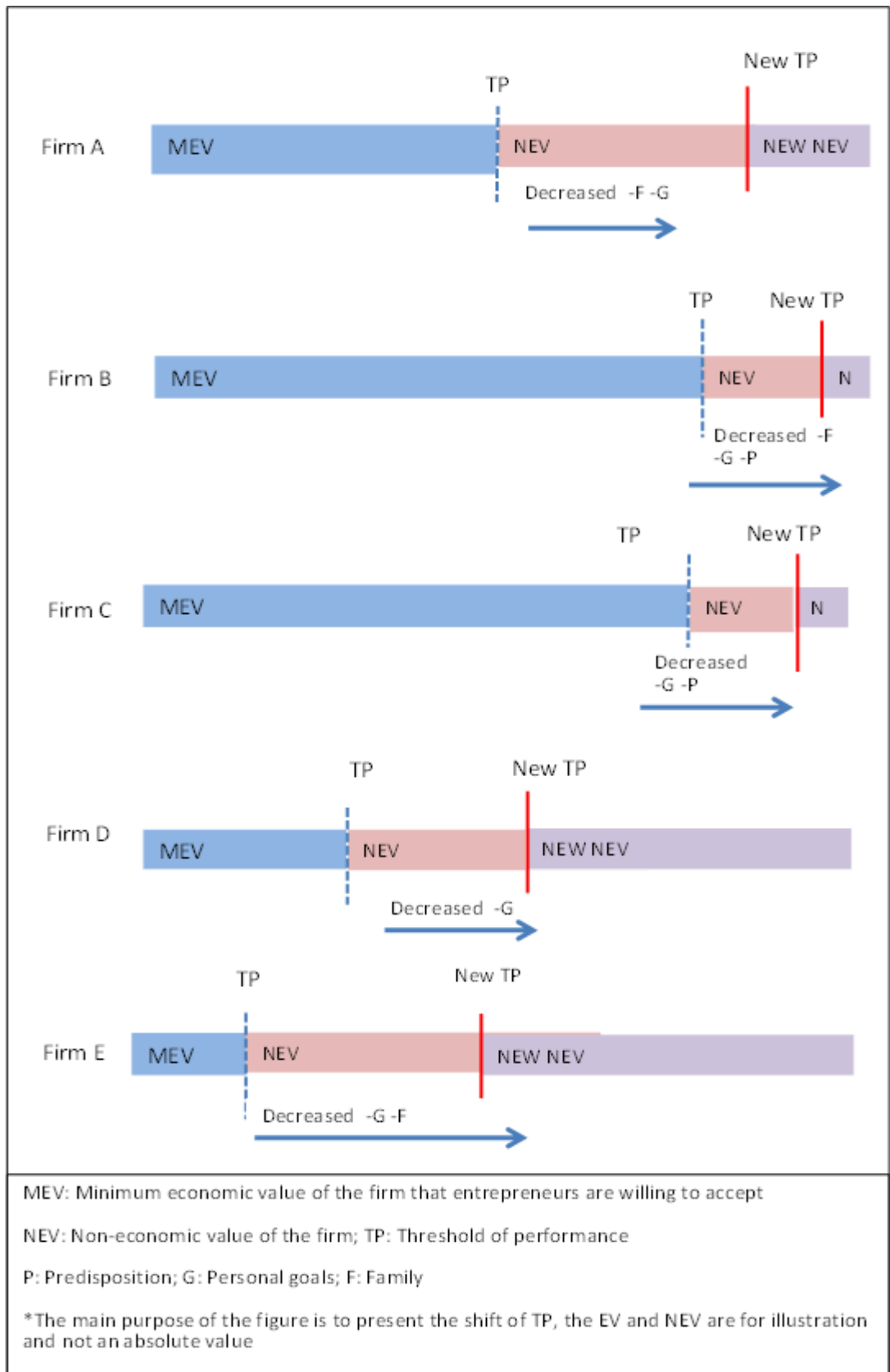


Figure 6-3: Shift of threshold of performance, source: author

to other businesses. Coupled with the failed stewardship-based exit strategy (daughter refused to take over), he closed Firm E. Figure 6-3 shows how the non-economic value of owning the firm results in international exit. In this research, I am not suggesting entrepreneurs are non-rational. On the contrary, every entrepreneur makes logical decisions; yet the criteria for judging whether these decisions are good or bad vary between each entrepreneur. Entrepreneurs have idiosyncratic threshold of performance building on non-economic variables. My five exit cases are non-rational if viewed from economic value of the firm; however, by including non-economic value of the firm, the international exit decision is well supported.

6.2.3 The context: Chinese institutions

Section 3.3.2 argues Chinese institutions play a vital role in decision-making but lack of systemic research in international exit literature (Belderbos and Zou, 2006). Economic activities cannot be analysed without consideration of the formal and informal institutional context in which they occur (North, 1990). Mathews (2009), Peng et al. (2008a) and Xu and Meyer (2012) investigate the impact of emerging economies institutions on internationalization and suggest how institutional factors resulted in different strategies. The context of decision-making distinguishes the internationalization in emerging economies from developed economies since institutions signal which choice is acceptable in terms of ethical and cognitive consideration (Tonoyan et al., 2010). Hence, this section discusses the role of Chinese institutions in foreign operation and how it affects the international exit decisions.

Table 6-5 summarises different types of institutional problems from critical incidents. My data suggests the fast changing Chinese formal institutions increase difficulties in business operation. Formal institutions problems include government policy and interference. In addition to the political tension suggested in section 1.2.1.2, other institutional problems are associated with thin formal institutions and informal institutional distances. In terms of thin formal institutions, the relocation of Firm F shows its negative impact on foreign ventures. Firm F “voluntarily” relocated the factory to outskirts of city to avoid conflicts with local government. As a small and

foreign business owner, Entrepreneur Metal reluctantly increased operational costs to follow the local government's instruction since good political tie is essential to survive in China (Zhou, 2013). Similar case can also be found in CA4.

Difficulties associated with Institutions	Critical incidents	Outcome
Formal institutions: regulations, government interference	SARS, media manipulation and lack of freedom of speech CB5, CB6	Mistrust Chinese government and worried about the property right in China
	Land expropriation CF4	Relocate factory without compensation
	Political tension between Taiwan and China CB11, CC11	Mistrust Chinese government and worried about the property right in China
	Western development policy, one child policy and labour insurance policy and other regulations CG8, CA3, CF8	Rising costs, relocation, change management style and lack of young labours
Informal institutions: Unspoken rules, Employee-employer conflicts due to cultural difference and value and moral conflicts.	Bribery, corruption and facilitation fees to government or individual CA4, CB11, CC7, CD9, CE9, CF10, CG6, CG7	Additional costs and the importance of political ties/ guanxi
	Protectionism of local market, delay payment and bad debts CC4, CC9, CD9, CE9, CF10, CG6	Additional costs and efforts to enter into market
	Unethical staff reveal customer list and new product design CB3, CB8, CF12	Financial loss
	Unethical staff take commission from competitors or suppliers CA11, CC5, CC10, CE4	Financial loss and decrease market shares
	Employee requested for double compensation for car accidents CD6, CD9	Additional compensation

Table 6-5: Critical incidents associated with Chinese institutions, source: author

Accordingly, political ties (relationship with government) largely substitutes thin formal institutions in China in terms of property rights, arbitrary enforcement of business regulations, resource acquisition and opportunity identification. When Entrepreneur Brush talked about the formal institutions, Western development and labour insurance policy, his emphasis was the rising difficulty to negotiate or bribe the local government to delay the policy implementation (CA3). This shows informal institutions have more authority than formal institutions in China that results in arbitrary enforcement of business regulation and highlights the impact of political ties. Entrepreneur Fruit said, “*if you have guanxi (political ties) in China, nothing*

can trouble you”. Echoing Sheng et al. (2011) and Zhou (2013), my findings suggest in thin formal institutions, political ties have greater effects than in developed countries. Political ties are not only beneficial for performance but also crucial for survival. Thus Entrepreneur Metal rather suffers from financial loss than endangers political ties. The maintenance of political ties results in higher operational costs and has negative impact on the performance and survival of foreign ventures. Similar findings also found in Russia as suggested in Doern and Goss (2014).

Another difficulty is problems associated with informal institutional distances such as unspoken rules and employee and employer (Chinese-Taiwanese) conflicts. Unspoken rules refer to behaviour constraints imposed in markets, industry, or societies that are not voiced or written down. These rules exist in unspoken and unwritten format and are usually concealed from new comers and foreigners. Due to the thin formal institutions, unspoken rules commonly exist in every industry, market, and regions in China (CIER, 2012). There is no clear guideline to operate in China, even there is, merely following the instructions is insufficient to survive in China. All case companies experienced the disruption of unspoken rules in operation, and most entrepreneurs paid a great expense to learn the unspoken rules. Some entrepreneurs hired local management team (Entrepreneur Brush, Machine and Metal) while others sought for assistance from locals or experts (Entrepreneur Food and Construction).

Employee and employer conflicts are also the result from institutional distances. This conflict strengthens the Entrepreneur Machine and Paint’s negative predispositions to China. They view these incidents as institutional problems that could not be solved (Quote C4, B12). Interestingly, Entrepreneurs Brush and Fruit considered these unethical behaviours as a management problem, which could be solved by establishing a good system.

My finding echoes the argument in section 2.2.2 that institutions are more influential in emerging economies (Peng et al., 2009) and shape foreign entrepreneurs’ behaviour in internationalization. Entrepreneurs follow Chinese institutions and have to do something that they may not have done in other developed countries or home

countries (e.g. corruption). Again, entrepreneurs can be viewed as a heterogeneous group in facing institutional problems. Some entrepreneurs may internalise Chinese institutions thus enhance their positive predispositions to China. They accept the Chinese way of doing thing and they are “smart” enough to learn and excel at it (e.g. Entrepreneur Brush, Fruit, Metal, Construction,). Other entrepreneurs may resist Chinese institutions thus enhance their negative predispositions to China. They may bribe, but their own informal institutional make them feel uncomfortable (e.g. Entrepreneur Machine, Paint). This enhances their negative predispositions and vice versa.

Tonoyan et al. (2010) suggest that the entrepreneurs’ likelihood of engaging in corruption is linked to the culturally bounded social norms and justified by “if others behave illegally, so can I”. However, my finding argues even entrepreneurs from the same cultural background have different interpretation and degree of acceptance of corruption. Why some entrepreneurs can internalise Chinese informal institutional while others cannot and what is the outcome of it? Theme A suggests entrepreneurs’ predispositions to China are one of the answers, and Theme B would elucidate this topic in section 6.3.1.3.

6.2.4 Summary

Theme A highlights the role of firm’s non-economic value in decision-making including international entry, strategic choice, and international exit. To answer the subsidiary research question: “Why do entrepreneurs make the international exit decision? Viewed from an individual perspective”, I summarise individual variables and their impact from the data, indicating three non-economic variables: entrepreneurs’ predispositions to China, family, and personal goals. Firstly, the evolution and the role of entrepreneurs’ negative predispositions on decision-making have been examined. Secondly, the socio-emotional wealth of family and family interests reduce entrepreneurs’ threshold of performance by increasing the non-economic value of the firm. Finally, if entrepreneurs are in the state of flow, doing something they are interested in and good at, the non-economic value of the firm increased. Figure 6-2 and Figure 6-3 present how the three entrepreneurs’ non-

economic variables change the non-economic value of the firm thus affect entrepreneurs' threshold of performance and result in exit. The context of Taiwanese entrepreneurs invested in China and its impacts are also discussed. Chinese institutions not only affect firm's economic value but also non-economic ones (e.g. negative predispositions). Instead of viewing the impact of Chinese institutions on organization, I examine its influence on entrepreneur and how it shapes the decision-making of internationalization.

In summary, Theme A does not argue that economic variables are not important in making decisions. Instead, I indicate that firms' economic value (organizational performance and strategic importance) play a vital role in making international exit decisions. Entrepreneurs may try to make an economically rational decision; however, there is something more important in their life that diverge their decisions from rational optimum. This study presents non-economic variables that may influence entrepreneurs' decision-making, including their predispositions, family and personal goals.

In addition to economic gain and loss, entrepreneurs can be confronted by non-economic gain and loss resulted from non-economic variables. Positive emotions can be elicited for achieving personal goals (Entrepreneur Brush, Machine, Paint, Food, Fruit, Metal and Construction), meeting family needs (Entrepreneur Brush, Machine, Fruit, Construction and Metal) or feeling attached to business and local environment (Entrepreneur Fruit, Metal and Construction). Negative emotions can be elicited for entrepreneurs' negative predispositions to China (Entrepreneur Machine and Paint), losing family control (Entrepreneur Brush) and not achieving personal goals (Entrepreneur Machine and Paint). The elicited positive and negative emotions would result in different actions in internationalization (Baron, 2008). Theme B discusses how incident-generated emotions shape the action in internationalization.

6.3 Theme B: Entrepreneurs' emotions and actions in international exit

This section answers the subsidiary research question "How incident-generated emotions shape entrepreneurs' actions in internationalization". Following entrepreneurial emotion literature, I examine how emotions shape entrepreneurs'

preferences or actions in internationalization. My data presents the impact of positive (confidence, passion, empathy) and negative (fear, anger and disgust) emotions on international exit. A conceptual model has been developed to show how entrepreneurs elicit different emotions in response to critical incidents (environmental/organization/ individual variables) and how emotions shape their actions. The concepts of emotional gains and costs are proposed. This section argues entrepreneurs' positive emotions increase their emotional gains (non-economic gains) of internationalization while negative emotions increase the emotional costs (non-economic loss). In addition to financial gains and costs, emotional gains and costs are also significant for entrepreneurs to make decisions. To stay in China, entrepreneurs not only need to achieve financial survival but also emotional survival.

This section discusses six types of emotions and how they shape entrepreneurs' behaviours. I particularly focus on the role of empathy and its impact on individual learning, for its uniqueness in the context of Taiwanese entrepreneurs invested in China. The role of empathy is rarely discussed in Entrepreneurship field. Huy (1999) suggests empathy is beneficial in accepting new things. Actions associated with empathy (such as forgiving, understanding, put yourself in other people's shoes) are positive to entrepreneurs' learning and adaptation in cross border activities since entrepreneurs need to overcome liability of foreignness resulted from institutional distances. Peng et al. (2008) indicate the institutional distance is more impactful for foreign ventures invested in emerging countries than developed countries. The research context, Taiwanese entrepreneurs invested in China, emphasizes the role of institutional distances thus highlights entrepreneurs' empathy.

6.3.1 Positive entrepreneurial emotions and international exit

This section examines three positive emotions: passion, confidence and empathy (see section 4.6.2.1 for definition). My data suggests positive emotions enhance entrepreneurs' persistence and commitments in internationalization. Following Baron (2008), positive emotions affect entrepreneurs' cognition through the perception of external environment, creativity, heuristics and memory. My data shows positive emotions are helpful to venture growth including innovation (Baron and Tang, 2011),

opportunity evaluation and implementation (Dimov, 2010) and commitment level (Foo et al., 2009). It is precise since positive emotions signal that everything goes smoothly and a positive future; this motivates entrepreneurs to commit more to achieve the goals (Baron, 2008). However, positive emotions may not be totally beneficial in the internationalization process. My data suggests entrepreneurs who experience positive emotions in their business may over-estimate future returns and persist with poor-performing ventures long after they should have shut down. This deadlock persistence could cost huge financial loss.

In general, my findings relating to passion and confidence agree with current conceptual framework and literature in entrepreneurial emotion studies. Passion and confidence drive growth strategy and positive actions such as opportunity exploration and increasing commitment. Echoing Sapienza et al. (2006) that firm growth is not equal to firm's survival, a high level of confidence or passion may result in negative impact on organizational performance and international exit. Empathy is found important in my data but rarely discussed in Entrepreneurship field. Huy (1999) suggests radical changes and difference may elicit empathy to accept changes and take actions. This section advances this argument that empathy can minimise the institutional distance, facilitate learning and develop institution-specific capability of surviving in China.

6.3.1.1 Passion resulting into higher commitment level and opportunity recognition

My data indicates passion motivates international entry and drives entrepreneurs' persistence. Passion provides emotional support to overcome challenges in internationalization, which increases their chance of opportunity discovery and venture growth (Foo, 2011). Taken Entrepreneur Food and Fruit for example, despite the poor financial performance, they increased the commitment by introducing a new product line and aggressive market expansion. Due to their entrenched longing for the opportunities, which they can identify with, opportunity discovery is increased.

Entrepreneurs' passion is usually elicited by personal goals. Entrepreneur Brush is ambitious and aims to become the market leader in Taiwan and worldwide. His enthusiasm of being the global market leader drives him to keep identifying new opportunities and expanding production capability. Entrepreneur Food also show his passion in French dessert business. His passion was originated from his love in French dessert and his goal to introduce it to more people. Echoing the finding in Theme A, the non-economic value of the venture has increased when passionate entrepreneurs achieved their goals. They may have lower threshold of performance for being passionate. Hence, I agree with Bird's (1989) view that passionate entrepreneurs tend to be more optimistic and committed despite the poor performance in their business. Consistent with this, Cardon et al. (2009) argue that entrepreneur driven by passion is characterised by creative problem-solving, persistence, and fully committed. This passionate mind-set is reflected in Table 6-6 showing passion is associated with actions of increasing commitment and opportunity recognition (see Appendix C-2 for detailed information).

Passion and actions					
Entrepreneur	A1 Increase commitment/opportunity recognition and implementation	A2 No changes	A3 Decrease commitment	A4 Learning and/or adaptation	A5 International exit
Brush	3	1	0	0	1
Machine	2	0	0	0	0
Paint	None identified				
Food	5	0	0	0	0
Fruit	3	0	0	0	0
Metal	3	0	0	0	0
Construction	2	0	0	0	0
Total	18	1	0	0	1
*Each emotion may associated with more than 1 action					

Table 6-6: Passion and actions, source: author

Passionate entrepreneurs achieve the greatest happiness when doing something they are committed to (Quote D1, E3). This emotional gain can somehow compensate the financial loss, thus Entrepreneurs Food and Fruit continuously identify new opportunities and increase their financial commitment despite the outlet's poor

financial performance. They kept pursue opportunities for their enthusiasm of this business and aimed to solve current problems by effortful actions such as introducing new product lines, entering new markets, and designing new Marketing strategy. Table 6-6 provides empirical evidence to Bird's (1989) and Cardon et al.'s (2009) argument above.

My data agrees with Foo (2011) that passion is positive to opportunity discovery; however, my data also indicates that passion limits entrepreneurs' attention. Passionate entrepreneurs choose options consistent with their passion rather than most potential and productive one. Morton and Podolny (2002) indicate that entrepreneurs driven by love behave differently from those driven by money in designing strategies. Entrepreneurs' passion is not only positive to commitment level and opportunity exploration but also drives the strategic direction. For example, Entrepreneur Food tried to promote high quality French dessert but failed due to the high price. His passion drove him to choose the relatively difficult and costly way to solve problems (CD7). He could have changed his recipe and reduce price (easier and recommended by industrial experts), but he chose to exit China, re-enter in the future and sell French bread in order to attract customers and promote high quality dessert. Cardon et al. (2009:520) agrees with this finding that "*passionate entrepreneurs are resistant to explore alternative options, fearing that doing so may dilute and distract the intense positive experience*". Therefore, Entrepreneur Food rather rejected the efficient problem-solve approach with his passion and exited China.

Additionally, passionate entrepreneurs are usually more involved in their businesses. Entrepreneur Brush sacrificed his leisure time for the business (Quote A11). Entrepreneur Food carefully recorded every dessert he ate to improve his recipe (his dessert encyclopedia). Entrepreneur Fruit sacrificed his weekend and spent 70% of his working time although he had other businesses to manage. Their passion lead to greater commitment (personal and financial) and the owner sacrifice has a positive effect on venture growth (Kozan et al., 2012) and survival.

Passionate entrepreneurs are usually more tolerant to deteriorated environment for their goals. They are willing to commit and more alerted and optimistic about

opportunities. From my results, I can conclude that passion provides emotional energy that propelled to cope with challenges and pursue opportunities. Although passionate entrepreneurs may exit China to pursue their goals (e.g. Entrepreneur Brush, Food); in general, they are more willing to commit, persist and involve in their foreign venture.

6.3.1.2 High confidence levels encouraging commitment level and persistence in business

My data suggests high confidence level increases entrepreneurs' commitment and persistence in the foreign venture. Dimov (2010) indicates that confidence refers to entrepreneurs' belief in the venture and their own abilities. One example is Entrepreneur Machine who shows strong confidence in his products that increased his level of commitment (Quote B11). His confidence minimises his perceived threats of intensive competition and rising costs, which are major difficulties for Taiwanese entrepreneurs invested in China as indicated in section 1.2.1.

Echoing Zacharakis and Shepherd (2001) and Dimov (2010), entrepreneurs' confidence can lower their risk perception. Entrepreneurs experienced heightened sense of control and subsequently increase their commitment to pursue maximum returns. The entrepreneurs' confidence signals that things are going well at the moment and it is time for expansion. These results are reflected in Table 6-7 showing confidence is connected with increasing commitment and opportunity implementation. As entrepreneurs feel they are capable of coping with challenges, they take initiative to develop and expand their business. For instance, Entrepreneur Fruit is confident about his ability of take advantage from local institutions; he used this ability to obtain free advertising from the local government and achieve efficient expansion (Quote E9). In general, as shown in Table 6-7, entrepreneurs show confidence in most opportunity pursuit or dramatic strategic changes (learning and adaptation).

However, a high level of confidence may lead to business failure due to overestimated performance resulted from the illusion of control (Kahneman and Tversky, 1979; Zacharakis and Shepherd, 2001). Entrepreneur Food believed in his

product and considered current failure as part of future success. The high level of confidence in his product supported him to persist in a failing business; thus the sad outcome was the overexpansion and subsequent business closure of his outlet.

Confidence and actions					
Entrepreneur	A1 Increase commitment/opportunity recognition and implementation	A2 No changes	A3 Decrease commitment	A4 Learning and/or adaptation	A5 International exit
Brush	3	1	0	2	1
Machine	3	0	0	0	0
Paint	2	0	0	0	0
Food	5	0	0	0	0
Fruit	3	0	0	0	0
Metal	5	0	0	1	0
Construction	1	0	0	1	0
Total	22	1	0	4	1
*Each emotion may associated with more than 1 action					

Table 6-7: Confidence and actions, source: author

Similarly, Entrepreneur Fruit had no experience in the industry. Instead of using financial tools to evaluate his expansion rationally, he rapidly expanded his store with an intuitive prediction of future market potential evaluation. Entrepreneur Brush also experienced great financial and emotional costs for being too confident. He (wrongly) believed his capability of managing a distant plant (Anhui) and chaos resulted by previous general manager's resignation. As a result, he was forced to shut down Anhui plant due to conflicts with local government and exit China to escape from her harassment.

My data suggests different sources of confidence: resource richness (Entrepreneur Brush, Paint, Fruit, Metal), entrepreneurial experience (Entrepreneur Brush, Food, Metal), industrial experience (Entrepreneur Brush, Machine, Paint, Food, Construction), and international experience (in the host country) (Entrepreneur Fruit, Metal, Construction). Dimov (2010) suggests confidence built on industrial experience have direct effects on venture emergence. However, my data shows confidence built on industrial experience is not necessarily positive to venture

survival. Entrepreneur Food had 15 years' experience but failed while Entrepreneur Metal had no industrial experience but survived. Thus, what type and what level of confidence is more likely to contribute to venture survival require further investigation. A quantitative research testing entrepreneur's different types/level of confidence and exit rate may answer the question.

In summary, entrepreneurs' confidence is a guiding factor in opportunity pursuit and strategic changes (Dimov, 2010). A high level of confidence is positive to venture growth (Dimov, 2010) and entrepreneur's persistence in the foreign venture (Staw, 1981). However, venture growth and survival are two distinct ideas (Sapienza et al., 2006) and the procrastination in business closure may result in great financial loss (Shepherd et al., 2009). My findings suggest it is true that a high level of confidence is positive to the emergence and growth of foreign ventures but not necessarily positive to survival.

6.3.1.3 Empathy towards other cultures enhancing the development of institution-specific capability

This section finds empathetic entrepreneurs are likely to minimise *the liability of foreignness/institutional distances*, learn and develop institution-specific capability of surviving in China. This section answers the question raised in section 0 why some entrepreneurs can internalise Chinese informal institutional while others cannot and what is the outcome of it from an individual learning perspective. Empirical data shows Taiwanese entrepreneurs invested in China are a heterogeneity group. Comparing to those entrepreneurs with negative predispositions to China, entrepreneurs with positive predispositions interpret the same institutional problems in different ways (section 6.2.1.1). It is found that those entrepreneurs with positive predispositions to China (Entrepreneur Brush, Food, Fruit, Metal, Construction) tend to show more empathy in critical incidents (see Table 6-8).

Empathy involves internalising the frame of reference of another; it has cognitive, affective and behavioural dimensions (Triandis, 1979; Nelson-Jones, 1983). From a Rogerian perspective (1957:210), empathy is more than user-centred *sympathy* (sharing the emotions of others affectively and behaviourally whilst keeping a

cognitive distance): only in the last century have the two emotions become clearly differentiated (Gladstein, 1983). Sympathy can be passive, even negative, whereas empathy suggests a positive, altruistic engagement by providers with users. From a psychiatric perspective, Krznicaric (2014) emphasises that empathy is not blind acceptance of the user’s viewpoint, rather it is to support from the perspective of shared feelings and understanding, even where support conflicts with the users stated desires or interpretations. Thus, this research defines empathy as understanding, forgiveness, the recognition of other person’s suffering, and most importantly, the willingness to improve the situation through learning and putting yourself in other person’s shoes (internalisation).

Empathy and actions					
Entrepreneur	A1 Increase commitment/opportunity recognition and implementation	A2 No change	A3 Decrease commitment	A4 Learning and/or adaptation	A5 International exit
Brush	0	0	0	3	1
Machine	0	0	0	0	0
Paint	None identified				
Food	0	0	0	2	0
Fruit	0	0	0	3	0
Metal	0	0	0	2	0
Construction	0	0	0	2	0
Total	1	0	0	12	1
*Each emotion may associated with more than 1 action *Firm B is sympathy					

Table 6-8: Empathy and actions, source: author

Table 6-8 presents entrepreneurs’ actions in response to empathy reflecting that empathetic entrepreneurs usually learn from critical incidents and/or adapt to local culture. In general, entrepreneurs experience negative emotions (e.g. anger) toward institutional difficulties. However, empathetic entrepreneur found it easier to learn and adapt to local culture. Table 6-8 shows that Entrepreneurs Brush, Food, Fruit, Metal, Construction commit to learning and adapting to local culture due to their empathic nature. The above entrepreneurs are open-minded and often put themselves in their staff’s shoes. Instead of judging incidents from their perspectives (Taiwanese), they interpret from their staff’s views (Chinese). For example, Entrepreneur Brush and Construction both considered taking commission to be a mean to ensure production efficiency and manufacturing quality. This ability enables

them to have a forgiving attitude toward staff corruption (Quote G1 and A4). Entrepreneur Food holds similar views and suggests studying Chinese history and communicating with locals is beneficial for easing the stress resulted from cultural conflicts (Quote D9).

In comparison, Entrepreneur Machine and Paint elicit continuous and strong negative emotions due to Chinese institutions. As an experienced entrepreneur in China, Entrepreneur Machine understood the reasons behind unethical behaviours. However, he could not accept Chinese value and adapt to Chinese mind-set. He showed sympathy to local staff but still felt uncomfortable to live in China (Quote B12). The major difference between empathy and sympathy is empathy necessarily requiring doing something about it (Gladstein, 1983). Entrepreneur Machine is lack of motivation to learn and adapt to local culture. As an opponent to Chinese Government, Entrepreneur Paint showed neither empathy nor sympathy to critical incidents. In facing staff corruption, he radically changed management system to ensure full control of his staff. Entrepreneur Metal criticized his action and warned this may result in serious conflicts with staff (Quote F2). Accordingly, Entrepreneur Paint's solution may temporally solve problem but would result in negative impact in long-term.

In summary, to answer the question raised in section 6.2.1.1 that why some entrepreneurs can internalise Chinese informal institutions while others cannot, I found empathetic entrepreneurs usually internalized themselves with Chinese mind-set and thus more likely to learn and adapt to local culture. They frequently communicated with locals and attributed the problem to their lack of understanding of local culture. They tried to *understand* the feelings/thoughts of the other people but not attempt (like sympathy) to *share* the feelings of the other (Goldie, 2000). Conversely, entrepreneurs who showed no empathy usually isolated themselves from Chinese society (Quote B10). They lacked motivation to learn and adapt to local culture because they believed this was the external problem that could not be solved (Quote B12, C2, C4). As indicated by Baron-Cohen (2011), such people are capable of cruelty, imprisoned in a self-focus.

Accordingly, being empathetic is beneficial for entrepreneurs to learn from Chinese institutions and develop institution-specific capability of surviving in fast-changing Chinese institutions. Sapienza et al. (2006) point out similar concept that developing dynamic capability in response to fast changing environment is necessary for firm's survival. Much literature focuses on the negative impact of institutional problems (Chung and Beamish, 2005; Meyer et al., 2011; Santangelo and Meyer, 2011). However, for those entrepreneurs who develop the institution-specific capability, they are more likely to survive in China and less likely to exit for institutional distances (Sapienza et al., 2006). Adding to the finding in predispositions (section 6.2.1.1), entrepreneurs with positive predispositions to China are more likely to show empathy in critical incidents. Entrepreneurs' positive predispositions seem to be the source of empathy and being empathic strengthen the positive predispositions to China. Accordingly, the connection of positive predispositions and empathy is found, to elucidate how these two elements shape entrepreneurs' learning as shown in Table 6-8, next section provides an in-depth analysis.

6.3.1.4 Positive predispositions and empathy enhance individual learning in internationalization

This section suggests the source and outcome of being empathetic, indicating empathy increases the possibility of double loop learning that entrepreneurs perceive that the cause of the problem was about them, and they re-examine their underlying assumptions and internalise local culture (Figure 6-4).

Figure 6-4 presents the source, role and outcome of empathy in entrepreneurs' learning in internationalization. The source of empathy should be entrepreneurs' positive predispositions to China. Since entrepreneurs are embedded and emotionally committed to China, they are likely to show curiosity, challenge existing prejudices and open up to local institutions that enable them to be empathetic in institutional problems (Krznicaric, 2014).

Ucbasaran et al. (2011) suggest that the strong emotions generated by failure prompt entrepreneurs to blame more on others than themselves for self-esteem. However, I found empathetic entrepreneurs are more likely to attribute the cause of

failure/negative experience to themselves such as poor management structure (e.g. CA11, CE4) or unfamiliar with local culture (e.g. CE2, CD9, CF12). As a result, the entrepreneurs are motivated to restructure organization, learn from the experience, embrace local culture and develop institution-specific capabilities. Echoing Jenkins's (2012) research, entrepreneurs who reflect on their role in contributing to the failure (e.g. institutional problems) are more likely to have double loop learning, which changes their underlying assumption and enables them to internalize the Chinese institutions (e.g. Entrepreneur Brush, Food, Fruit, Metal, Construction). They learn, accept and enjoy Chinese ways of doing things. For example, Entrepreneur Brush view staff corruption as a management problem. He improves the system and understands the reasons of his staff's unethical behaviour and accepts it. He is internalized with Chinese institutions.

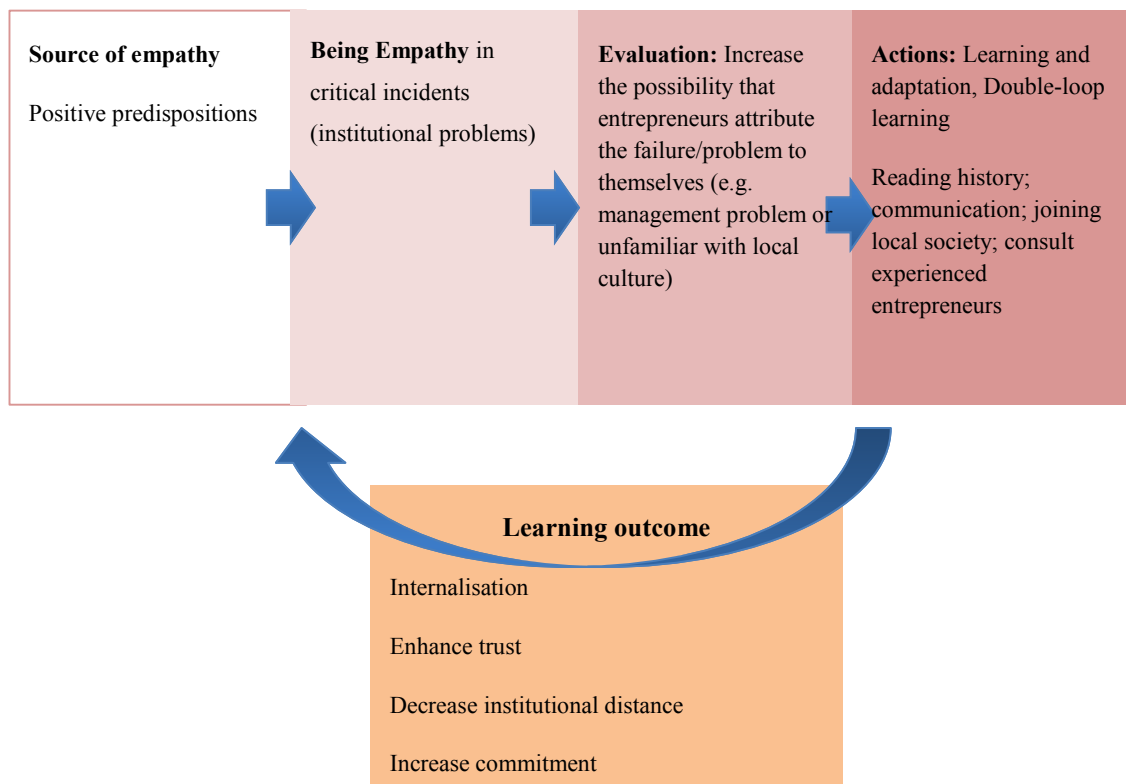


Figure 6-4: Empathy and individual learning, source: author

Conversely, entrepreneurs who attribute the causes of the failure to external factor such as Chinese institutions) are more likely to have single loop learning, which means they changes their strategy and plans to solve the problem. Take Entrepreneur Paint for example, he attributes the staff corruption to Chinese informal institutions, thus he divests and uses a militaristically formal management style to control his staff. This strategy may work initially, but it increases the employee-employer conflicts in the long-term. The Entrepreneur Machine said: *“I tried but I found I was in vulnerable position. This is a trend and I can’t change it”*. Thus he does not intend to learn from local culture since he viewed it as an external problem. In general, the two entrepreneurs are still doing things in Taiwanese ways and resisting local culture. This finding challenges IB literature that organization learns and benefited from their internationalization experiences (e.g. Johanson and Vahle, 1977; Sapienza et al., 2006). Instead, entrepreneurs should be viewed as a heterogeneity group in learning (Shepherd, 2009). This research suggests entrepreneurs’ predispositions to host country and empathy would affect the degree of learning from institutional problems.

In terms of how empathy affect international exit decisions. This research suggests learning can increase the trust of Taiwanese entrepreneurs in Chinese Government, people or business environment (Quote E6, F2). Hence, they are more likely to commit to their business and identify opportunities. This statement supports Bandlj’s (2008) argument that positive emotions form the trusting relationship that led to international opportunity pursuit. Unlike other emotions such as passion, fear, anger and confidence, empathy is a social emotion strongly linked to the formation of trust, considered crucial in economic process (Kramer, 1999; Bandelj, 2009). Beckett (2005) argues trusts in market has to be understood as an interaction between trust giver and trust taker, and the trust taker performs actions such as commitment and other trustworthiness actions to win the trust giver’s trust. Giddens (1991: 19) indicates that trust *“presumes a leap to commitment, a quality of faith which is irreducible”*. Coupled with my finding, there is a positive relationship between empathy, learning and trust building (Figure 6-4). Hence, empathy enhances entrepreneurs’ understanding and trusts in their business and host country, thus

reduce the institutional distances and entrepreneurs' risk perception and uncertainty level in China.

In summary, this section examines the source and outcome of empathy, indicating being empathetic increase the possibility of double-loop learning and the internalization of Chinese institutions. As a result, empathetic entrepreneurs are likely to minimise institutional distances, enhance their trust and commitment in host country and less likely to exit for institutional reasons.

6.3.2 Negative emotions resulting into international exit

This section examines three negative emotions: fear, anger and disgust. Negative emotions are often associated with pessimistic thinking and may serve as a moderator of factors known to influence international exit. In tandem with Baron (2008) who stated that negative emotions reduce the vigour and faith of individuals, the intense negative emotions significantly reduce the non-economic value of the firm. Entrepreneurs try to escape from the source of negative emotions such as their ventures in China and this may result in international exit.

In general, negative emotions have a negative impact on firm's non-economic value thus may result in an international exit. Interestingly, the three negative emotions, fear, anger and disgust identified from my data appear to have different impact on entrepreneurs' actions. A fearful entrepreneur usually has higher risk perception and prefers to decrease commitments or maintain status quo. A disgusted entrepreneur avoids psychic incorporation or further contacts with a repellent object and takes aggressive actions to escape from the unfavourable source. Anger is a negative emotion; however, my data shows it is connected with entrepreneurs' learning and adaptation. In addition, an angry entrepreneur usually has positive future prediction and feels that they are capable of solving the problem (source of anger). This section examines the negative emotions and identifies the uniqueness of each negative emotion. As the pursuit of happiness is part of human nature (Kahneman, 2011), I conclude by suggesting that when entrepreneurs are losing emotional energy to persist in business in China due to intense negative emotions (except anger); international exit occurs.

6.3.2.1 Fear resulting in decreased commitment and risk aversion

Fear is an unpleasant emotional state induced by a (wrongly) imagined threat. People are likely to feel fear when they feel uncertain and lack confidence to deal with a negative event (Lerner and Tiedens, 2006). My data suggests that entrepreneurs experience fear due to increased costs, intensive competition, Chinese institutions, or staff conflicts.

Fear results in higher risk perception, in some extreme cases, fearful entrepreneurs select negative information to make decisions and overestimate the influence of threats. Entrepreneur Paint extended his fear and distrust of unethical staff to every Chinese including his business partners (Quote C4, C5). His fear limited his expansion plans, opportunity pursuit and significantly increased his operational costs (sending management team from Taiwan and using militaristically formal management style). Echoing Kahneman and Tversky's (1979) heuristics study that people tend to exaggerate the extreme case and generalise it to everything, a fearful entrepreneurs may wrongly imagine or overestimate the threats.

Fear and Actions					
Entrepreneur	A1 Increase commitment/opportunity recognition and implementation	A2 No changes	A3 Decrease commitment	A4 Learning and/or adaptation	A5 International exit
Brush	0	2	1	1	2
Machine	0	4	3	1	2
Paint	0	4	1	0	1
Food	0	0	0	1	0
Fruit	None identified				
Metal	1	0	0	1	0
Construction	0	1	0	0	0
Total	1	11	5	4	5
*Each emotion may associated with more than 1 action					

Table 6-9: Fear and actions, source: author

Table 6-9 shows that entrepreneurs usually do nothing in response to their fear. They may decrease commitment, learn and adapt (mostly adaptation) to local environment, or decrease commitment, but they are less likely to increase commitment as shown in Table 6-9. In line with Foo (2011) and Welpe et al. (2012), fear is usually associated with higher uncertainty perception, and therefore, decreases the entrepreneurs'

exploitation of opportunities. A radical change or an occurrence of unpredictable events challenges the source of cognitive and emotional stability and attacks entrepreneurs' basic assumptions (Huy, 1999), thus strong defensive mechanisms including fear is triggered. Fearful entrepreneurs prefer to maintain status quo since they are lack of confidence to solve the source of fear. It triggers risk aversion actions although it is non-rational for other people. For example, Entrepreneur Paint was scared that Chinese Government would punish him for his political preference while his general manager and business partners viewed it as "*a nonsense imagined by a DPP supporter*". His distrust to Chinese staff and institutions elicited fear of losing money or control of the company. Fear is not only negative to entrepreneurs' current commitment but also to future opportunity recognition due to pessimistic future prediction. Built on their fear of Chinese institutions and Chinese staff, Entrepreneurs Machine and Paint rejected promising opportunities despite the positive evacuation of future returns (CB13, CC7, CC11). They viewed it as a "not worthy action" for their high-risk perception and emotional costs (being scared).

Echoing Welpe et al. (2012), my results suggest that fearful entrepreneurs make pessimistic risk assessments and decrease their propensity to exploit opportunities. Table 6-9 indicates that fear also resulted in international exit. Although entrepreneurs did not take immediate action (no changes) in response to their fear to some critical incidents, it created an unfavourable environment with (wrongly) imagined threats. Hence, entrepreneurs want to escape from their personal trauma that contributed to the final international exit decision. It is concluded that fear leads to pessimistic future prediction, thus results in risk aversion decision-making, which indirectly leads to international exit.

It is interesting to point out that fear may be overcome. Entrepreneur Food was scared of Chinese institutions but this feeling was minimised through his learning and adaptation process (CD9). Similar case can be found in Entrepreneur Metal that he overcame his fear of rising costs and developed new products when most of his friend chose to exit China (CF5). It may be assumed that if entrepreneurs are determined to stay in China (e.g. passion in French dessert and family and

attachment to China); they are motivated to find a solution and overcome their fear. Otherwise, they may use a more exploiting strategy and remain status quo.

6.3.2.2 Anger propelling positive actions which improves unfavorable situations

Lerner and Keltner (2001) and Welpel et al. (2012) view anger as having a positive impact on opportunity exploratory even though it is a negative emotion. In contrast to fear, being angry gives entrepreneurs the strength to deal with adverse situations. Using appraisal tendency framework (Lerner and Tiedens, 2006) to explain this situation, feeling angry means another person should be responsible for the negative events, and the self still have chance to improve the situation. Thus, angry individuals have lower risk perceptions and more optimistic future predictions. These predictions lead to a strong urge to take action in order to change the current situation (Lerner and Keltner, 2001); for example, in the early stage of his internationalization, although Entrepreneur Paint shut down the Shanghai Marketing office due to poor performance and unethical behaviour of his sales, he was still confident about the future of the company. Entrepreneur Brush also took a series of actions such as organizational restructure in response to his anger elicited by conflicts with previous general manager (Quote A10).

Anger and actions					
Entrepreneur	A1 Increase commitment/opportunity recognition and implementation	A2 No changes	A3 Decrease commitment	A4 Learning and/or adaptation	A5 International exit
Brush	0	0	1	4	0
Machine	0	0	1	2	1
Paint	0	1	1	2	1
Food	0	0	1	2	0
Fruit	0	0	1	3	0
Metal	1	0	0	2	0
Construction	0	0	0	2	0
Total	1	1	5	17	2
*Each emotion may associated with more than 1 decision					

Table 6-10: Anger and actions, source: author

Table 6-10 shows that anger leads to a variety of actions including learning and adaptation, decreased commitment, increased commitment even international exit. Instead of stating anger results in particular actions, it provides the emotional energy

for entrepreneurs to take actions of getting rid of their unfavourable situations. Quote A10 provides best support for this argument. Unlike fearful entrepreneurs, angry entrepreneurs tend to be more proactive in problem solving. Angry entrepreneurs usually feel that they are offended or injured. Entrepreneur Paint felt his staff betrayed him. Entrepreneur Brush felt he was underestimated by previous general manager and wanted to prove that “*this firm can survive without her*”. Thus, both entrepreneurs took aggressive action such as shut down Shanghai office and organizational restructuring.

Entrepreneur Firm Machine is another example that he found his competitor introduced the same design to market one week after his product launch. He was angry with his staff hacked into firm's intranet and stole the latest design to competitors who subsequently imitated his products. In anger, he made major decisions to solve these problems by restructuring the R&D department in China and later on, setting up a new R&D centre in USA. His anger drove him to re-build the system and increases commitments in R&D, which proved to be a wise decision in the late internationalization. Entrepreneur Metal also took similar actions in response to imitation issue.

This finding is consistent with Welpel et al. (2012) that anger makes individuals eager to act by attacking. As a result, anger encourages entrepreneurs to take critical and risk-taking actions due to their optimistic views of success. From my evidence, although anger is a negative emotion, it leads to optimistic prediction thus motivates entrepreneurs to improve current situation. The positive outcome of anger distinguishes it from other negative emotions such as fear and disgust. Disputing Baron (2008) and Foo et al. (2009), I found that not all negative emotions are bad for entrepreneurial process and long-term commitment. For instance, the negative emotion; anger drives positive predictions and actions by increasing the entrepreneurs' confidence and decreasing his risk aversion (London et al., 1971).

6.3.2.3 Disgust resulting into aversion and international exit

Disgust is fundamentally a negative emotion and a defensive mechanism to avoid psychic incorporation or further contacts with a repellent object (Rozin et al., 2008).

From action-tendency perspectives, Hayton and Cholakova (2012) suggest that disgusted individuals trigger goals to expel current activities and avoid further involvement.

In my findings, Entrepreneurs Machine and Paint reported their strong dismissiveness of unfavourable environments, institutional problems, and conflicts with staff that triggered their anger to turn to disgust in the late stage of internationalization, thus led to international exit. Entrepreneur Machine found it difficult to tolerant and thus evoked a desire to purge the current activity due to his disgust with unacceptable objects, interpersonal conflicts and moral offense (Quote B10). Thus, he aimed to escape from current unpleasant situation at any costs. As can be seen, he has shifted his personal goal from making money to enjoy his life. As suggested in Theme A, the shift of his goal decreased the non-economic value of Firm B and made him even more difficult to tolerate the unfavourable environment.

Table 6-11 shows disgusted entrepreneurs make the decision to escape from doing business in China, including relocating the R&D office to USA (Entrepreneur Machine), divesting the firm (Entrepreneur Brush, Machine, Paint), and eventually, exiting China. Despite good financial performance of Firm B and C, the financial income is insufficient to compensate the entrepreneurs' emotional suffering.

Entrepreneur	Disgust and actions				
	A1 Increase commitment/opportunity recognition and implementation	A2 No changes	A3 Decrease commitment	A4 Learning and/or adaptation	A5 International exit
Brush	0	0	1	0	1
Machine	0	1	3	1	4
Paint	0	0	0	0	2
Food	None identified				
Fruit	None identified				
Metal	None identified				
Construction	None identified				
Total	0	1	4	1	7
*Each emotion may associated with more than 1 decision					

Table 6-11: Disgust and actions, source: author

The conflict with his ex-general manager disgusted Entrepreneur Brush and resulted in his exit decision. Unlike Entrepreneur Machine and Paint, he felt comfortable

about Chinese institutions and living environment. The reason behind international exit was his determination to ensure full control of the firm, which was the source of the serious conflict with previous general manager. Despite the disputes, Entrepreneur Brush showed empathy to her aggressive behaviour to retrieve the control of Firm A. He was sick of fighting with a close friend. To escape from this situation and ensure full family control, Entrepreneur Brush exited China (Quote A9).

I disagree with the economic rational perspective by arguing that disgusted entrepreneurs are likely to decrease their commitment level or even exit the host country at any costs. It is true that a high performing organization encourages entrepreneurs to persist in internationalization due to monetary income. However, once individuals get their basic needs met, more income does not make more happiness (Kahneman, 2011). For instance, Entrepreneur Machine felt that he preferred to pursue a more comfortable life and escape from the source of disgust rather than increase his monetary income (Quote B8).

This behaviour by the Taiwanese entrepreneurs supports DeTienne et al. (2008)'s argument that even the most extrinsically motivated entrepreneurs are driven by personal factors. Since entrepreneurs often invest not only financial resources but also personal time and efforts (Kozan et al., 2012), some entrepreneurs do not even try to justify their decision with economic reasons. For instance, Entrepreneur Machine lamented that, "*exiting China is a rational decision for myself and not for my company*". Echoing Theme A, entrepreneurs' willingness to stay in China was determined by the economic and non-economic value of the firm. My evidence suggest disgust significantly decreases the non-economic value of the firm thus rapidly increases the threshold of performance. It can be deduced that disgust reduces the entrepreneurs' tolerance of conflicts and triggers their desire to escape from current activity, thus decreasing their commitment level, leading to international exit.

6.3.3 Summary and the framework of entrepreneurs' emotions and actions

My research emphasizes the non-economic value of the foreign venture through provoking the importance of entrepreneurs' emotions citing empirical data. Following entrepreneurial emotion literature (e.g. Baron, 2008), Theme B examines

how entrepreneurs' incident-generated emotions shape their preference and behaviours. This research views entrepreneurs' emotions as highly significant since they influence entrepreneurs' perceptions and shape their behaviour. As such I describe the role of emotions in each critical incidents and how it contributes to different actions in Figure 6-7.

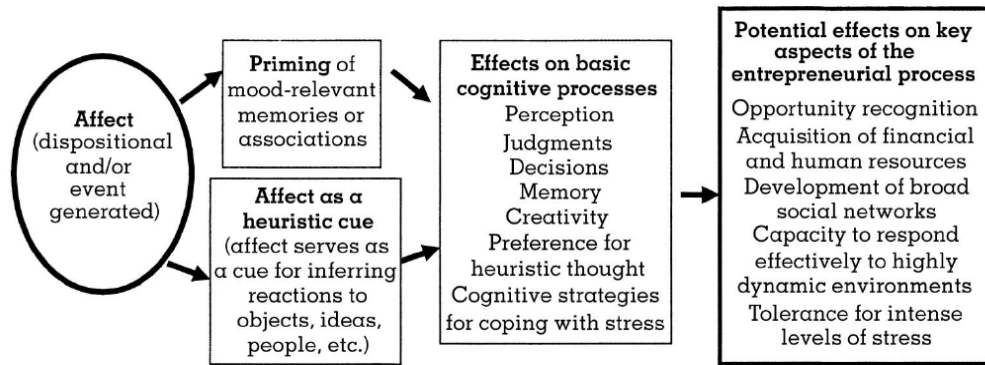


Figure 6-5: The role of affect in Entrepreneurship, source: Baron (2008, p335)

Figure 6-5 shows Baron's (2008) model of how emotions affect entrepreneurs' actions. Foo et al. (2009) extend this view by exploring the role of negative and positive emotions on entrepreneurs' commitment level with empirical data (Figure 6-6).

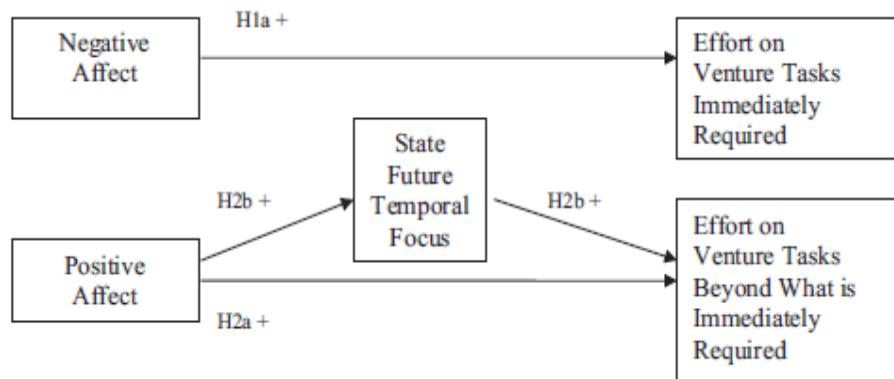


Figure 6-6: The relationship between emotions and efforts, source Foo et al. (2009, p1087)

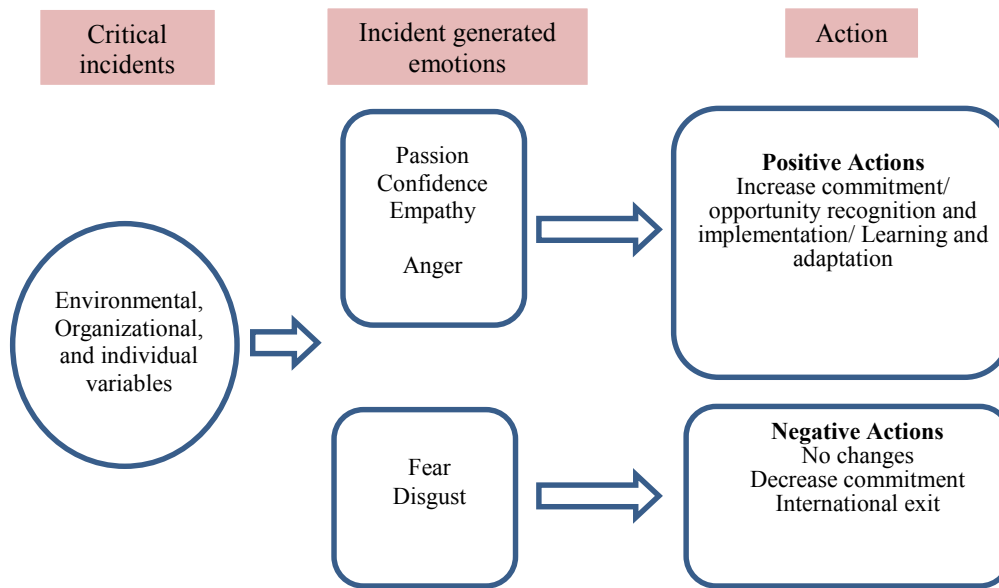


Figure 6-7: Emotions and actions framework, source: author

The logic underlying Figure 6-7 is as follows: firstly, entrepreneurs elicit emotions in response to critical incidents. Secondly, incident-generated emotions affect entrepreneurs' cognitive process and resulted in difference judgement and perceptions (Baron, 2008). Although I highlight the positive relationship between empathy, learning and trust building, this section mainly examines the cause and effect between emotions and entrepreneurs' actions. Further study may be conducted on how entrepreneurs' emotions affect cognitive process and to what extent as suggested by McDougall-Covin et al. (2014) and Jones and Casulli (2014b).

Finally, entrepreneurs act in accordance with their subjective evaluation. Positive actions are accompanied by optimistic future prediction, lower risk perception, and may be beneficial for foreign venture's long-term operation and growth such as increasing commitment, opportunity recognition and implementation, learning and adaptation. Negative actions refer to actions of decreasing commitment such as divestment and international exit. Doing nothing (no changes) is neither a positive nor negative action, and due to its close relationship to fear, it is put in the box of negative actions. Although anger is a negative emotion, an angry entrepreneur

usually aims to improve the current situation with an optimistic view of success. Thus anger is in the same box with positive emotions.

In Chapter 2, I argue the field of international business including international exit and decision-making has reached the point where more than rational perspectives have come to dominant the field. Keupp and Gassmann (2009), Jones et al. (2011) and McDougall-Covin et al. (2014) also call for more ideas from Entrepreneurship field to provide a more real life story to decision-making of internationalization. As an emerging star in the Entrepreneurship field, entrepreneurial emotions make IB studies more comprehensive and closer to the messy reality. It is time to acknowledge emotions are as important as conventional cognition, which usually assumed purely rational. I do not attempt to separate emotions from cognition or argue that decision-making is purely emotional. Instead, I aim to indicate that this study stresses a merger of the two, i.e., emotions and cognition are parts of each other.

This view is consistent with Hellgren and Melin (1993) that splitting emotions from cognition is not fruitful. Bechara et al. (2000) support this view by their neurologist experiments that people are making decision through a complicated process which includes both emotions and cognition. Viewing emotions and cognition as part of each other explains unexpected decisions in internationalization. Fineman (2000) indicates emotion serve as a lubricant rather than an obstacle to rationality.

“They (emotions) make impossible decision possible; they help do the prioritising, resolve tie breaks, and ease the dilemmas. What is important, worth thinking about, is cued by feelings- including those of the ‘gut’. So let hunches, excitement, fear, unease or comfort, be your guide.” (Fineman 2000: 11)

Accordingly, there is no such thing as purely economic rational decision-making. Otherwise my five exit cases would not exist and no entrepreneurs would regret their decisions. The concepts of emotional gains and costs are emerged from my data. This section argues entrepreneurs’ positive emotions increase their emotional gains (non-economic gains) of internationalization while negative emotions increase the emotional costs (non-economic loss). In addition to financial gains and costs, emotional gains and costs are also significant for entrepreneurs to make decisions. To

stay in China, entrepreneurs not only need to achieve financial survival but also emotional survival since emotions and cognition are intertwined. Current literature suggests entrepreneurs make international exit decisions because they fail to achieve financial survival (cognition and rational decision-making). This research argues entrepreneurs can also make exit decisions for not achieving emotional survival (emotion driven decision-making). To provide a satisfied explanation of international exit decisions, it is compulsory to investigate entrepreneurs' cognition (financial survival) as well as emotions (emotional survival).

Emotions provide the 'gut' to make decisions, and this is why we have such a diversified and vibrant world. As a result, entrepreneurs of my five exit cases are capable of making a satisfied decision instead of a rational decision. Entrepreneurs' unexpected exit (Entrepreneur Brush, Machine, Paint) and persistence in underperforming business (Entrepreneur Food, Fruit) cannot be explained by rational decision-making but can easily find an answer in emotion driven decision-making. Consistent with my argument in Theme A that it is compulsory to include non-economic value of the firm in decision-making, viewed emotions as part of decision-making provides a better explanation to real business world and perfectly explain unexpected behaviours of entrepreneurs. The next section Theme C, summaries the discussion chapter by presenting a revised theoretical framework.

6.4 Theme C: The decision making of international exit

Following the discussion of Theme A and Theme B, the economic and non-economic value of the firm determines entrepreneurs' willingness to stay in China and result in international exit. Theme B further indicates the role of entrepreneurial emotion is the "gut" to entrepreneurs to take action. Consistent with Damasio (1994) that people cannot make decisions without emotions, I identify six most frequently generated emotions from the data including passion, confidence, empathy, fear, anger, and disgust. I systemically examine the six emotions and connect each emotion with actions. Theme A identifies entrepreneurs' non-economic variables resulting in international exit while Theme B explains how these variables influence entrepreneurs' actions through emotions, highlighting the connection of empathy and

individual learning. Theme C aims to provide an overview of the decision-making of international exit by redefining international exit using my data, updating the decision-making framework of international exit in Figure 3-3, and discussing the outcome of international exit.

6.4.1 My definition of international exit and outcomes

To understand how entrepreneurs make international exit decision, this section firstly compares my definitions of international exit with my data. In section 2.2.1.3, I synthesise the definition of exit literature from IB field (Benito and Welch, 1999) and Entrepreneurship field (Detienne et al., 2008) and define international exit as *“the entrepreneurs’ response to poor organizational performance, strategic change and/or unmet personal expectation. It is the process by which entrepreneurs of privately held firms discontinue the operation of foreign ventures and completely exit the host country”*.

Table 6-12 presents entrepreneurs’ characterisation of international exit. This table supports my argument that international exit is entrepreneurs’ choice. I agree with Benito and Welch (1997) that international exit could be the result of poor performance or strategic change. However, this research suggests performance and strategic importance should not be the only criteria to judge a successful venture. Furthermore, a successful venture is not necessarily a surviving one; entrepreneurs may close a successful venture for personal reasons. The evidence is provided in Table 6-12.

Echoing Gimeno (1997), entrepreneurs have idiosyncratic threshold of performance that results in different definition of international exit. As indicated in Theme A, economic value of the firm is not the only criterion of the decision-making of international exit. It seems clear that high economic value leading to survival do not necessarily correspond with whether an entrepreneur perceives the venture as successful one. Entrepreneur Paint provided evidence for this argument that although Firm C is strategically important and well performing (in the late stage), Entrepreneur Paint does not consider it worth the efforts. He could not persist in China for the non-economic loss and failed to meet his initial goal: to defeat his

major competitor in China. Building on this idea, Entrepreneur Brush and Machine achieved their initial goal of international entry; they perceived their venture successful at closure. But they still exited China for non-economic variables.

In comparison, Entrepreneur Food perceived his venture as a half failure. He persisted in his poor performing firm for its non-economic value. Viewed from economic perspective, Firm D should be a failure for the great financial loss resulted from blind persistence. However, viewed from the entrepreneurs' perspective, this foreign operation taught him a valuable lesson for future entrepreneurial activities. Entrepreneur Food did not view his firm as a failure; instead, he perceived this exit as a necessary step to future success. Entrepreneur Fruit had similar thoughts. He established Firm E for non-economic goal. Although Firm E was a failure from an economic perspective, his great emotional gain balanced the negative impact and positively contributed to the possibility to restart Firm E.

In summary, my finding supports Gimeno et al.'s (1997) argument that each entrepreneur has idiosyncratic threshold of performance. I extend this view to that the threshold of performance is built on individual and non-economic variable such as personal goals, predispositions to China and family (Theme A). It is agreed by threshold theory that a good performing venture is not always a successful one.

This research found a successful venture is not necessarily going to survive since entrepreneurs may have something more important to pursue (Quote B4, A6). The next section discusses the outcome of international exit.

Entrepreneur	Entrepreneurs' definition/ performance	Definition of international exit	Consequence
Brush	Success/ Very good financial performance	"My Chinese factory is a success, it helps me dominate Taiwanese market and expand to international market. Now the mission is complete and I want to create a more sustainable business for my children...instead of letting my children to deal with Bao and the sophisticated guanxi, I prefer to relocate to Vietnam and let my children participate from the beginning...Vietnam is the future, at least for next 20 years" (Quote A6, Entrepreneur)	Financial gain
Machine	Success/ Very good financial performance	"No, Firm B is not a failure. Firm B is very important for me ... Now I am too old to work in fast-changing China; I want to enjoy my life, maybe travel around the world with my wife. I feel relieved when leaving China. I was lucky to enter into China early. I make a profit by selling my land and property ... But in long-term, shutting down my China factory means the end of my all business within 10 years...it is very difficult to survive without the factory but we don't want the factory anymore. This is my daughter's choice and she should be responsible for what she decide..." (Quote B4, Entrepreneur)	Financial gain (short-term) Financial loss (long-term)
Paint	Failure/ Good financial performance	"Entering China is a big mistake. It's a waste of money and time. You can make money from many businesses... It was so unpleasant to run a business in China, I can't do it anymore ... I rather make money in other ways"(Quote C2, Entrepreneur) "My boss feels embarrassed to exit China, it's about his face, he failed to defeat Y company and no one dare mention this in front of him now."(Quote C8, Manager)	Financial loss
Food	Half failure/ Poor financial performance	"I always think what is failure...I think it could be just a process...I sold Mille-crepe 10 years ago but lost lots of money in the beginning because Taiwanese only likes sponge cake. I insisted in this product and everyone thought I was crazy. Surprisingly, 3 years ago, Mille-crepe became a super star...if I shut down my venture before, than I was failed. But I persist and I succeed. I mean, sometimes financial performance means little to me. I believe time and efforts can solve all problems. If you persist and keep going, you can be successful one day...I think the real failure is when you can't see the future, you don't believe in future, or yourself doesn't want that future...I don't think my exit is a failure (laugh), maybe 50-50...I did learn a lot from this experience, and I see new opportunity (bakery industry)... I will be back" (Quote D6, Entrepreneur)	Financial loss
Fruit	Okay/ Poor financial performance	"No I am not regretting about this (set up Firm E), it's a great fun...of course I lost a lot (money), too ambitious; I was not familiar with this industry and knew little about fruit inventory control and preservation. Although I outsourced this to a professional company but I was too busy to manage it... I have experience, equipment and network, actually I was going to invest in ice cream made by Taiwanese fruit last year, but have no one to manage the shop. It's interesting to open a small store selling something I like. (Quote E11, Entrepreneur)	Financial loss

Table 6-12: Entrepreneurs' definition of international exit

6.4.2 Outcome of international exit

The section discusses the outcome of international exit from a learning perspective. International exit can be an important source of learning for entrepreneurs. Lessons learned from previous experience can be factored into future decision-making, improving the chance of success in following entrepreneurial process (Cope and Watts, 2000; Jenkins et al., 2014). My evidence indicates that some but not all entrepreneurs learnt from their international exit experience and perceived this experience could increase the chance of success in the future (Entrepreneur Food and Fruit). It also rejects the rosy notion of international exit that entrepreneurs receive constructive feedback from their previous experience and use it for next internationalization (e.g. Johanson and Vahlne, 1977).

Non-economic gain/loss and reasons of international exit are reasons for this interesting result. Firstly, international exit is a negative event usually resulting in damaging effects and entrepreneurs' grief since entrepreneur view their ventures as the extension of their identity or as their babies (Shepherd and Cardon, 2009; Shepherd et al., 2009). Emotional costs (grief) is usually associated with sadness, anger, pessimistic and future uncertainty which are negative for opportunity identification and business operation (Jenkins et al., 2014). Empirical data suggests this negative emotion may be diluted because entrepreneurs have other business to commit to or something more interesting to do (e.g. Entrepreneur Brush, Machine, Paint, Food and Fruit), non-economic gain because they have positive memory to recall (e.g. Entrepreneur Food and Fruit), or getting rid of unfavourable situation (e.g. Entrepreneur Machine and Paint). Once entrepreneurs recover from their grief, they accept the nature and causes of their loss and ready for a new journey (Shepherd, 2009).

However, can entrepreneurs recover from their international exit experience, learn from the experience and use this experience to reenter into China? Table 6-12 shows the Entrepreneur Machine and Paint would not enter China again. Their strong negative predispositions and intense negative emotions prevent them from identifying opportunities in China and entering China again. The main reason for

them to exit China is their aversion to everything in Chinese, and this image has been rooted in their minds. They may recover from their exit experience but would never recover from the high emotional costs resulting from experience in China. Taken divorce for example, people may recover from divorce and marry again, but most people marry to new person instead of ex-wife/husband. In comparison, the international exit of Entrepreneur Food and Fruit are more like a separation instead of divorce. The entrepreneurs are reluctant to make the exit decision because they still believe in the future of their ventures (see Table 6-12). They enjoy doing business in China and separate for future reunion. This positive thinking enhances their learning of international exit for future re-entry.

My results provide fresh insights into an emerging debate relating to business closure. Some scholars believes closure experience provides an opportunity for learning (McGrath, 1999) while others argue it may be difficult for entrepreneurs to learn from this experience (Shepherd, 2003). My findings show both arguments have some validity. Exit provides a chance for learning, but only under certain conditions (Jenkins, 2012). I extend the debate to the context of internationalization and international exit. If entrepreneur exit China due to lack of experience, over expansion, shift of goal and family reasons (Entrepreneur Brush, Food, and Fruit), entrepreneurs are more likely to learn from experience for future re-entry. Alternatively, if entrepreneur exit China because of negative predispositions to China, it is less likely to learn from this experience for future re-entry. Therefore, learning is potential but not a necessary outcome of international exit. Adding to the Uppsala model (Johanson and Vahlne, 1977) and international new venture theory (Oviatt and McDougall, 1994), international experience is not necessarily contribute to future international operation; instead, it may result in entrepreneurs' stereotype and impedes internationalization. Similar discussion can be found in section 6.3.1.3.

The next section concludes the chapter by presenting the revised theoretical framework.

6.4.3 Revised international exit framework

Figure 6-8 presents the revised framework of international exit decision-making. It highlights the following points. In the first stage (information and critical incidents), as discussed in Theme A, international exit is a complex decision building on entrepreneurs' economic and non-economic variables (critical incidents). Thus, entrepreneurs' variables including personal goals, predispositions to host country and family should be taken into consideration like organizational and environmental variables. Entrepreneurs generate emotions in response to the critical incident and new information. Thus, in the second stage (entrepreneurs' incident generated emotions), six emotions identified from my data are added. The result in Theme B is merged with theoretical framework to provide an in-depth understanding of an emotion driven decision-making process.

Entrepreneurs' incident generated emotions shape their evaluation of the value of owning the firm. Thus, in the third stage (evaluation), I extend the threshold theory indicating that non-economic value of owning the firm determines entrepreneurs' threshold of performance. That is, entrepreneurs need to achieve not only financial survival (economic value of the firm) but also emotional survival (non-economic value of the firm) to maintain their foreign operations. In the fourth stage (actions), entrepreneurs' subjective evaluation of the firm results in different actions including opportunity pursuit, doing nothing, divestment or international exit. Finally, echoing Vygotsky (1997) and Shepherd (2009), entrepreneurs should be viewed as a heterogeneous group in learning from internationalization experiences. Each entrepreneur will have a different level and type of learning from their actions, and use the learning outcome for future decision-making in internationalization. In summary, this revised framework (Figure 6-8) highlights the role of entrepreneurs' variables, emotions, non-economic value of the owning firm and individual learning.

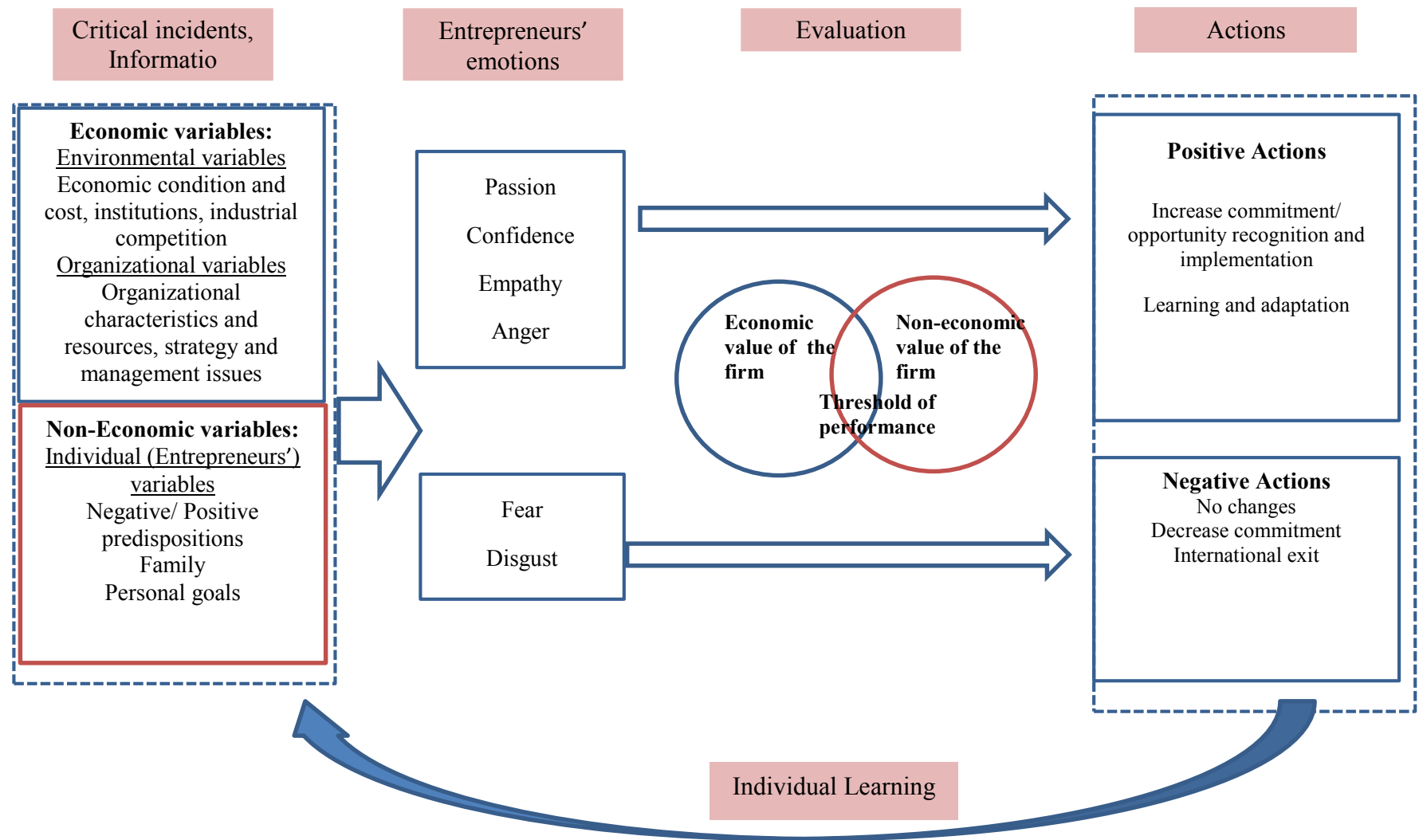


Figure 6-8: Revised international exit framework, source: author

Chapter 7 : Conclusion

This research develops a new research perspective into the processes of entrepreneurs' decision-making in the context of international exit. There have been few empirical studies featuring the entrepreneur as the unit of analysis in internationalization study (McDougall-Covin et al., 2014) and examining international exit in the emerging economies (Peng and Yuan, 2008). This thesis adopts theories from Entrepreneurship field to investigate the role of entrepreneur in international exit in the context of emerging economies.

The three themes combined present a comprehensive picture of why and how entrepreneurs make international exit decisions. Firstly, entrepreneurs' non-economic variables resulting in international exit (including entrepreneurs' predispositions to host country, personal goals and family) are discussed. Secondly, an emotional perspective is adopted in examining how entrepreneurs make decisions in internationalization. Finally, a learning framework is developed to illustrate how entrepreneurs make international exit decisions in emerging economies.

This chapter draws the final conclusion from my research. Section 7.1 presents an overview of each chapter. Section 7.2 discusses the theoretical contribution to the fields of International Business (IB) and Entrepreneurship. Section 7.3 focuses on managerial implication and section 0 offers implication for public policy. The research limitation is discussed in section 7.5. Section 7.6 summarizes this chapter and this thesis by presenting future research opportunities and my publication plan.

7.1 Overview of the thesis chapters

Figure 7-1 shows the overview of this thesis. The gaps identified in the literature that lead to the formulation of the research questions are presented along with the methodological choices applied. The main findings and the contributions to the fields of International Business (IB) and Entrepreneurship theory are depicted.

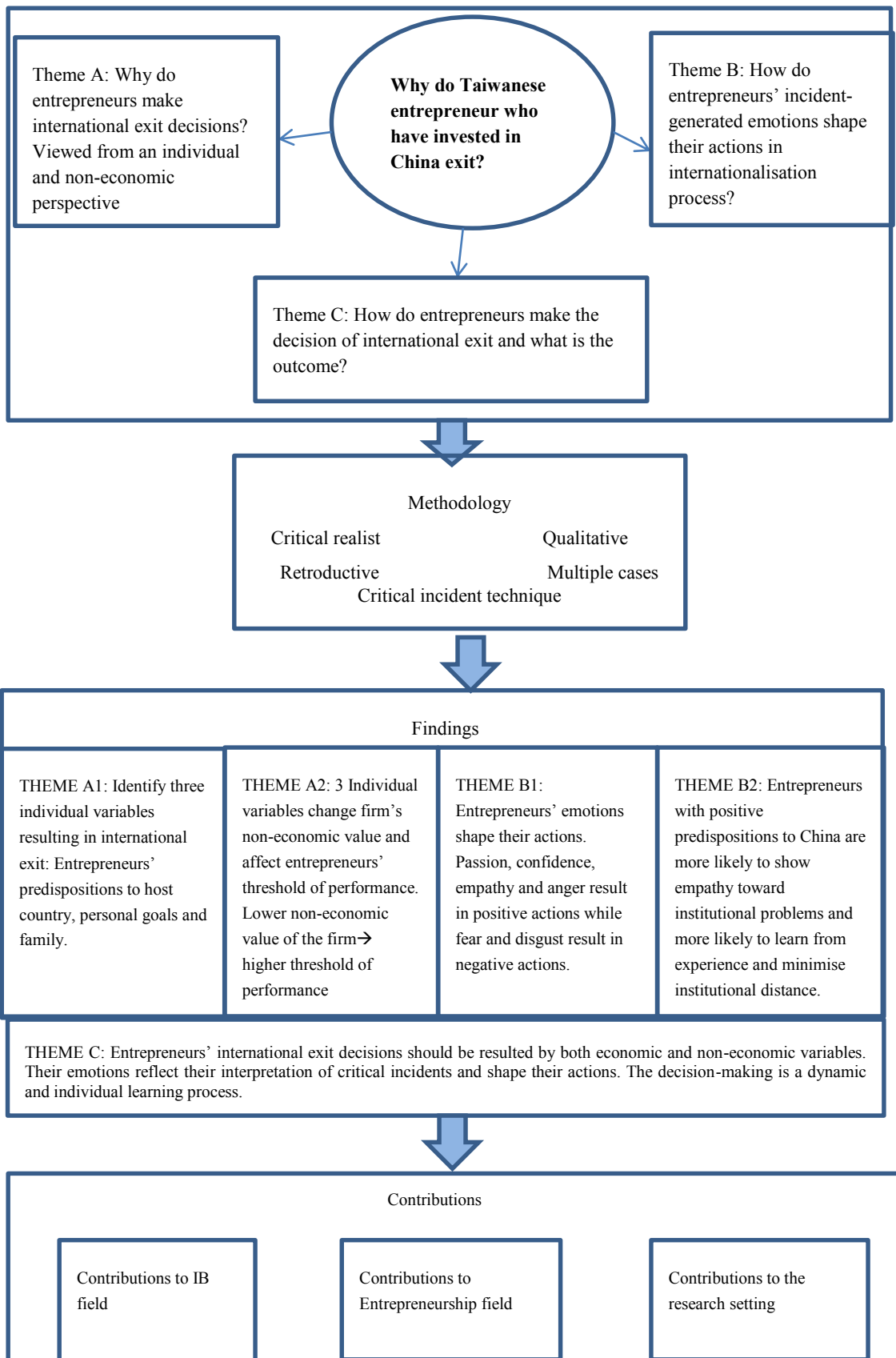


Figure 7-1: Overview of the thesis, source: author

Chapter 1 introduces the general background of the research, including an overview of the key theories in international exit literature in IB field and exit literature in Entrepreneurship field. The main research questions and subsidiary research questions are then introduced. This thesis uses entrepreneur as the unit of analysis and a non-economic perspective to examine why Taiwanese entrepreneurs exit China. The research questions are introduced to highlight the new knowledge that this study attempts to offer to IB and Entrepreneurship field. The methodological choices of this study are presented to justify the design of this study, the unit of analysis and sample selection. Definitions of key concepts are reviewed to ensure compatible terminology with current literature.

In addition, section 1.2 uses Taiwanese Government research and statistic data to provide an overview of Taiwanese entrepreneurs invested in China. The investment trend, historical and cultural background, and political tensions between Taiwan and China are also discussed. This chapter aims to present the unique investment context of Taiwanese entrepreneurs invested in China. The historical bonds, political tension, and self-identity and perception of cross-strait relationship highlight the role of entrepreneur in decision-making process. This section shows that the cross-strait relationship and institutional distances affect the general investment trend. But Taiwanese entrepreneurs may act differently according to their perception of Chinese Government, political preference and ethnic identity.

Chapter 2 reviews the international exit literature in IB field from an economic perspective. The evolution of theories in internationalization is firstly introduced. The shortage of individual analysis in IB field is highlighted. To define international exit, the Foreign Divestment, De-internationalization, International Relocation literature are examined, together with Entrepreneurial exit literature in Entrepreneurship field, Section 2.2.1.3 presents my proposed definition of international exit. Economic variables resulting in international exit are also examined from different perspectives; units of analysis range from geographical areas, countries, industries, to organizations. The main research question is built on three research gaps in current international exit literature: *the lack of international exit research, the under-researched role of entrepreneur in decision-making*

process, and the shortage of emerging economy based model. Three research themes are developed to answer the key research question, and subsidiary research questions are designed in response to research gaps in literature and findings in pilot study (see section 2.5).

Chapter 3 narrows down to literature relevant to the three research themes: *Entrepreneurs' non-economic variables in international exit, entrepreneurs' emotions and actions, and the decision-making of international exit and its outcomes.* Theme A targets entrepreneurs' predispositions, personal goals and family. Theme B focuses on entrepreneurial emotion literature to explore how entrepreneurs' emotions shape their actions. Theme C examine Boddewyn (1983), Benito and Welch (1997)'s decision-making model in international exit. These, combined with aforementioned research gaps, contribute to the development of a theoretical framework for further examination.

Chapter 4 discusses the research methodology. This study is under a critical realist research paradigm, and applies a multiple case studies approach to theory building. The research uses a qualitative approach, based on multiple case studies of Taiwanese firms invested in China. The rationale behind case selection and the data collection methods are also addressed in order to justify the choice of interviewing method and critical incident techniques. The data analysis follows with-case and cross case analytical approach, and the data is categorised by the three themes. Finally, the chapter concludes with the reflection of ontological, epistemological and methodological appropriateness.

Chapter 5 shows the finding of the five exit and two stay cases. The within case analysis is presented in the following three themes based on the subsidiary research questions: non-economic variables resulting in exit, positive/negative emotions and actions, and entrepreneurs' definition, reasons and consequence of exit. In Appendix C, each case has a critical incident table showing events that entrepreneurs consider important in decision-making in internationalization.

Chapter 6 presents the cross-case analysis and discusses the findings of this research with current literature. Theme A identifies three entrepreneurs' non-economic

variables resulting in international exit: predispositions to host country, personal goals and family. My data supports the argument that international exit is entrepreneurs' personal choice (Headd, 2003) since only by including non-economic variables of entrepreneur, the unexpected international exit and blind persistence in business can be explained. DeTienne et al. (2008) argue that entrepreneurs has idiosyncratic threshold of performance and Zellweger and Astrachan (2008) indicate that the value of a business is built on economic and non-economic gain. Using threshold theory to explain why entrepreneurs make exit decisions, the three individual variables affect firm's non-economic value and lower non-economic value of the firm increases entrepreneurs' threshold of performance.

Theme B views the entrepreneurs' emotions as highly significant since they influence entrepreneurs' perceptions and shape their behaviours. Passion, confidence, empathy, fear, anger and disgust are identified and discussed. Empathy is highlighted for its uniqueness in the context of Taiwanese entrepreneurs invested in China. That is, the informal institutions in China and the institutional distance between Taiwan and China allow entrepreneurs to show (no) empathy toward institutional/cultural conflicts. The connection between entrepreneurs' positive predispositions, empathy, individual learning, trust building and liability of foreignness is discussed. Theme C concludes Chapter 6 by presenting entrepreneurs' definition of international exit and the outcome. A revised framework is presented suggesting entrepreneurs' international exit decisions should be resulted by both economic and non-economic variables and it is a dynamic and individual learning process.

This chapter explains the contributions of this study to the fields of IB and Entrepreneurship. The directions for future research and the limitation of the thesis are also presented.

7.2 Theoretical contributions of this research

This research enriches the international exit literature in IB field by the emerging economy data and theories from Entrepreneurship field (section 7.2.1). Moreover, it contributes to the exit literature of Entrepreneurship field by presenting empirical data of cross-border activities, showing how the institutional distances influencing

entrepreneurial decision-making (section 0). Finally, section 7.2.3 presents the contribution to research setting, highlighting how a unique setting, Taiwanese entrepreneurs invested in China, contributes to current literature

7.2.1 Contributions to International Business and Management theories

This thesis responds to McDougall-Covin et al. (2014) and Jones et al. (2011)'s call of bridging the IB and Entrepreneurship field. It adds to current decision-making model of international exit in IB field by combining the knowledge of Entrepreneurship field with my empirical evidence.

7.2.1.1 Exploring international exit by using the entrepreneur as the unit of analysis

IB researchers often use organization as the unit of analysis, suggesting that international exit is the organizational responses to external environment (Benito and Welch, 1997; Box, 2008). I challenge this literature and argue the importance of entrepreneurs and their heterogeneity. Theme A identifies three individual variables arguing that even entrepreneurs from the same cultural background make different decisions under similar circumstance. I contribute to the international exit literature by focusing on the individual entrepreneur, which is significant yet under-researched.

Entrepreneurs view their ventures as the extension of their identity (Shepherd et al., 2009). It is inevitable that they (un)consciously use their habitus, personal goals or family interests to make judgments. This research uses theories from Entrepreneurship field such as threshold theory and entrepreneurial emotion literature to centre-stage the role of entrepreneurs. An entrepreneurs should be views as an active agent but not the context in decision-making (Whittington, 2006). This research opens the black box of the “non-rational variables” and systemically examines them instead of viewing them as the impediment in rational decision-making (e.g. Simon, 1955).

7.2.1.2 Exploring international exit by a non-economic and emotional perspective

Echoing Jones and Coviello's (2011) claim, I argue current internationalization literature misses a key element in internationalization decision-making: international exit. Instead of testing another organizational or environmental variable as most IB researchers do, I make a contribution by providing empirical evidence of entrepreneurs' non-economic variables and emotions in international exit literature.

This research develops a new framework illustrating how entrepreneurs make international exit decisions. Compared with conventional international exit framework (e.g. Boddewyn, 1983; Benito, 1997), the revised framework presents a non-economic perspective in decision-making. Echoing threshold theory (Gimeno et al., 1997) in Entrepreneurship field, my data suggests entrepreneurs' predispositions (Vygotsky, 1997), socio-emotional wealth of the family (Detienne and Chirico, 2013), and entrepreneurs' goals (Chrisman et al., 2012) are variables that may change firm's non-economic value and entrepreneurs' willingness to stay in China. In response to these variables, entrepreneurs elicit emotions that shape their actions in internationalization. A non-economic and emotional perspective is brought to the emerging international exit literature. Each variable highlights future research opportunity and sheds the light on research in internationalization at individual level.

7.2.1.3 Chinese institutions and cultural intelligence: the role of entrepreneurs' predispositions and individual learning

Researchers of Strategy-As-Practice (SAP) highlight the individual practitioner's involvement in strategizing episodes (Pettigrew, 1992; Whittington, 2006; Jarzabkowski and Spee, 2009). They develop the concept of "practice" in strategizing. However, SAP mainly focuses on large multinational companies and group decision-making; there is a shortage of studies on entrepreneur's decision-making process. The investigation of entrepreneurs' predispositions to host country provides fresh insights into this area. An individual's (entrepreneur) tendency to act in a particular way may re-shape an organizational practice.

Mainstream IB literature discusses learning from an organizational perspective (e.g. Johanson and Valhe, 1977). It focuses on organizational instead of individual behaviours in learning. Although International Entrepreneurship (IE) researchers emphasize the role of individual by suggesting an experienced entrepreneur is the key to successful internationalization (McDougall and Oviatt, 1994), the heterogeneity of learners (entrepreneurs) is still under-explored.

This research contributes to IB field by introducing the impact of individual cognition- entrepreneurs' predispositions to host country on decision-making. It is a rarely discussed but vital topic in IB field (Jones and Coviello, 2011). Additionally, the focus on entrepreneurs' predispositions to host country respond to another call- the shortage of emerging economy-based model in internationalization as indicated in section 2.2.2. This research provides empirical evidence to the two gaps and illustrates what type of institutional problems that foreign entrepreneurs would encounter in China. It extends the current understanding of institutions in emerging markets, arguing that thin Chinese formal institutions results in greater operational and emotional costs.

Sapienza et al. (2006) indicate that the learning capability is positive to the survival of foreign venture by minimising institutional distances. Other studies including Cope (2011) also find the positive connection of entrepreneurs' learning and organization survival. However, how to develop the capability and why some entrepreneurs can effectively learn from local environment while others cannot is still a question. This thesis provides explanations from entrepreneurs' perspectives- empathetic entrepreneurs are easier to accept changes (Huy, 1999) and learn from foreign environment. Thus, empathetic entrepreneurs are more likely to learn and adapt to local environment and hence minimize the institutional distance. They are less likely to exit for cultural conflicts.

Jenkins et al. (2014) argue that learning is a unique process shared by how entrepreneurs perceive the cause of an event. In my findings, entrepreneurs with negative predispositions to host country are less likely to adapt to local environment (Chinese informal institutions) since they perceive the cause of the negative event are

related to other people/ situation (e.g. Chinese government). They frequently use a problem-solving strategy to overcome problems caused by external factors (Jenkins et al., 2014). They are less motivated to learn since they view the problem as “Chinese people, institutions, or government’s faults”. In addition, their predispositions also limit their strategic choices and opportunity identification. In comparison, entrepreneurs with positive predispositions to host country are more likely to show empathy and minimize the institutional distance through learning. They perceive the cause of negative event are about them (e.g. poor management), thus they are more likely to re-examine their strategies, adjust their value and adapt to local environment.

This finding contributes to learning theory in IB field. Current IB literature assumes organizations automatically learn from internationalization experiences (e.g. Uppsala model) but my findings suggests entrepreneurs should be viewed as a heterogeneous group in learning. Entrepreneurs’ predispositions to host country affect their perceptions of incident and individual learning process in internationalization. The outcome of individual learning changes entrepreneurs’ predispositions and affects next decision-making process (Vygotsky, 1997). It is a dynamic and idiosyncratic process building on entrepreneurs’ social and historical experiences. It is true that entrepreneurs can learn from their internationalization experience; however, the degree of learning varies and the learning outcome is not necessarily beneficial to future internationalization.

Another contribution related to entrepreneurs’ predispositions is the connection with cultural intelligence. In global leadership literature, Moreley et al. (2010) indicate entrepreneurs need to possess certain capabilities to effectively operate and survive in global markets. They require different cultural intelligence to survive in difference markets. This research suggests the perception management (positive predispositions) and emotional management (being empathetic) enhance entrepreneurs’ mental flexibility when confronted with cultural difference thus make them curious and interest in other culture. My finding confirms the development of cultural intelligence (e.g. guanxi and political ties) and emotional intelligence (see

section 7.2.2.3) is as important as other rational intelligence. Further discussion of Chinese cultural intelligence is shown in section 7.3.

7.2.2 Contributions to the Entrepreneurship Theories

This research extends the threshold theory by examining business closure in the cross border activities in emerging economies. A new framework of entrepreneurs' decision-making in international exit is developed, highlighting the centrality of entrepreneurs and their emotions in decision-making.

7.2.2.1 Threshold theory and Chinese institutions

Theme A contributes to threshold theory and the exit literature. Threshold theory indicates entrepreneurs' alternative financial income affects their exit decisions. DeTienne and Chirico (2013) extend this theory by developing a conceptual framework showing how socio-emotional wealth influences the exit strategy. This thesis supports their arguments and provides empirical evidence to the propositions. In addition, I extend their research by investigating other non-economic variables (personal goals and predispositions) and focusing on firm exit instead of entrepreneurial exit. The concept of firm's non-economic value (Zellweger and Astrachan, 2008) is brought to explain the shift of entrepreneurs' threshold of performance. Threshold theory shows how entrepreneurs' personal income and switching costs affect the exit decision. This research contributes to this theory by suggesting the role of entrepreneurs' perceived non-economic value of owning the firm and proposing the concept of emotional survival. That is, entrepreneurs not only need to achieve financial survival (personal and organizational) but also emotional survival to sustain their foreign operations.

Another important contribution of this research is that I introduce the concept of international exit. Current exit literature in Entrepreneurship field focuses on entrepreneurial exit and examines exit decisions in domestic context. The cross-border and emerging economies data brings fresh insights into the exit literature. The institutional distances and turbulent business environment in emerging economic emphasizes the role of entrepreneurs' non-economic variables and emotions. For

example, entrepreneurs' predispositions to host country and their emotional costs of foreign operations are the new findings of this research. My thesis brings theories in Entrepreneurship field to explain IB phenomena; meanwhile, it also nurtures Entrepreneurship field by providing new findings highlighting the role of emerging economies institutions and institutional distances.

Bruton et al. (2010) argue that the institutions have proven to be powerful in examining Entrepreneurship topics in cross-border activities that institutional environment limits entrepreneurial opportunities and thus affect new venture creation. The institutions in emerging economies are having a significant impact on internationalization strategies in IB field (Peng et al., 2009; Kiss et al., 2011). Similarly, institutions affect entrepreneurial processes and behaviours (Goss and Doern, 2014). My analysis suggests that institutional environment in China is markedly different from those in more developed economies. Institutional problems and institutional distances bring fresh insights into current Entrepreneurship literature. This dynamic and turbulent research context not only has a significant impact on organizational economic costs (Peng et al., 2009) but also on entrepreneurs' emotional costs (Goss and Doern, 2014) in foreign operations. Consequently, exit decisions in this setting should be viewed through a different lens and the concept of entrepreneurs' emotional survival is therefore developed. An emotion-driven decision-making process emerged from my data, showing there is no such thing as purely rational decision-making.

7.2.2.2 Family Business in internationalization

Family business scholars indicate that the internationalization of family businesses is developing into a significant research area (Kontinen and Ojala, 2010). It is important to investigate family business as a distinct entity, aiming to identify their specific features in the context of internationalization research area. This research makes two contributions to family business literature: the qualitative data of family business internationalization and the cultural impact on family business. Firstly, Kontinen and Ojala (2010) point out that little knowledge of the internationalization processes of family business actually exists, suggesting a need great deal of

verification (both qualitative and quantitative). This research provides the qualitative evidence for future investigation. This research extends the concept of family socio-emotional wealth (SEW) (Gomez-Mejia et al., 2011) by testing it on individual decision-making. SEW is not only applicable to organizational behaviour but also to entrepreneur's behaviour. My analysis suggests SEW explains why family firms behave differently to other firms as well as why family business owners behave differently to other business owners. Family business owners consider the welfare of their family before making decisions.

Secondly, Bruton et al. (2010) suggest institutions play a significant role in internationalization. It is found in my data that Confucianism and the collectivist society increase the impact of family on entrepreneurs' decision-making. This finding echoes Sharma and Manikutty's (2005) conceptual paper and contributes to family business research, suggesting the role of family varies with culture/institutions.

7.2.2.3 Entrepreneurial emotions and cross border activities

This research emphasizes the role of emotions in decision-making, which has long been underestimated (Baron, 2008; Cardon et al., 2012; Hayton and Cholakova, 2012). Scholars have reviewed the relationship of emotions and decision-making (Lerner and Keltner, 2001; Lerner et al., 2004), arguing that the field of entrepreneurship could also be nurtured by the inclusion of entrepreneurial emotions (Baron, 2008; Cardon et al., 2012). Research is now turning to focus on emotions and how they affects the entrepreneurs' decision-making in terms of opportunity discovery (Hayton and Cholakova, 2012), opportunity pursuit (Baron, 2008; Foo, 2011), and venture termination (Shepherd and Cardon, 2009; Shepherd et al., 2009). However, these studies are mostly conceptual ones and target early stage of venture creation.

This thesis contributes to entrepreneurial literature by providing empirical and qualitative data from emerging economies and investigating the holistic international entrepreneurial process. The grounded approach allows me to discover emotions that are rarely discussed before (e.g. disgust and empathy) and add knowledge to this area.

By introducing the role of emotions into internationalization activities, I contribute to decision-making literature with an explanation that it is an emotion driven process and present the positive and negative outcomes of emotions. In general, entrepreneurs with positive emotions are more likely to persist in their business venture and discover opportunities resulting from their optimistic predictions of success (Baron and Tang, 2011; Foo, 2011). Interestingly, my analysis indicates that although positive emotions such as confidence and passion are essential elements for organizational growth, they are not necessarily lead to successful internationalization. On the other hand, entrepreneurs with intense negative emotions are usually more pessimistic thus tend to decrease their commitment level (Baron, 2008; Foo, 2009). My analysis tells a different story that although anger is viewed as a negative emotion, it provides emotional energy for entrepreneurs to re-examine, adjust, and solve problems to improve current situation. Therefore, anger could have a positive impact on commitment level and organizational operations.

Another important contribution to entrepreneurial emotion literature is the discovery of empathy and its impact on individual learning. I found disgust and empathy, which were rarely discussed in entrepreneurial emotion literature. It is evident that empathetic entrepreneurs are more likely to adapt to local institutions and minimize the negative impact of institutional distances (section 7.2.1.3). I examine the source, formation, and the impact of empathy on international commitments (Figure 6-4). The positive relationship between entrepreneurs' predispositions to host country, empathy, learning and adaptation provides an in-depth and holistic explanation to the role of empathy in international entrepreneurial process.

Emotional survival is another new concept proposed in this research. My analysis suggests negative emotions usually increase entrepreneurs' emotional costs of foreign operation while positive emotions usually increase their emotion gains. High emotional costs would result in higher threshold of performance and international exit. Thus, to sustain the foreign operation, entrepreneurs not only need to achieve financial survival but also emotional survival.

7.2.3 Contributions to the research setting

The selected research setting extends our understanding in two aspects: family business and Taiwanese entrepreneurs invested in China. Firstly, conventional theories (e.g. Boddewyn, 1983; Benito and Welch, 1997) based on developed countries MNEs cannot provide comprehensive understanding of those in emerging countries. Our current understanding of other types of ventures (e.g. Family business, SMEs) and their decision-making in international exit has been limited (Mudambi and Zahra, 2007; Gabrielsson and Gabrielsson, 2013). This research contributes to the research setting by providing data from privately owned SMEs and family business.

Secondly, this study contributes by offering a unique setting: Taiwanese entrepreneurs invested in China. Taiwan and China, where few studies have done despite the unique historical connection and political tension. Politically, Taiwanese and Chinese Government are conflicting regimes but their people, history, cultural background and economy are closely intertwined. This interesting phenomenon creates a complicated and unique business environment thus requires more attention (Hsing, 1998). Taiwanese entrepreneurs may choose China due to short psychic distances, but how they operate in China and how they response to the increasing political tension and the rapid-changing environment remains interesting.

Although Taiwanese entrepreneurs are considered as the latecomers in international market, they have achieved great success in China (Hsing, 1998; Mathews, 2006). Several issues have been raised in discussing Taiwanese entrepreneurs in China. According to OLI model, cheap labour costs and large market are two incentives for Taiwanese entrepreneurs. From the Uppsala model's view, Taiwanese entrepreneurs invest in China for a short psychic distance. However, section 1.2.1.2 indicates that the political tensions between Taiwan and China increases the psychic distances and results in a major exit trend. This thesis explains the cause of the exit trend, the role of political tension and how Taiwanese entrepreneurs perceive and respond to the institutional distance.

The research setting of this study aligns with the suggestion of Jones and Coviello (2011), Meyer et al. (2012) and McDougall-Covin et al. (2014) who call for internationalization studies focusing on different research settings including emerging economies, different types of ventures, post-entry development and individual level analysis. The research setting of this thesis not only answers research questions but also provides fresh insights into future international exit research in emerging economies. An emerging economy based framework is provided showing how entrepreneurs from newly developed economy invest and exit an emerging economy. Compared with Boddewyn (1983) and Benito and Welch's (1999) models that target on developed-developed economy, my research highlights the thin formal institutions and the powerful informal institutions in China and how this context affects the economic and emotional costs for foreign entrepreneurs invested in China. This research answers the question that what entrepreneurs are more likely to survive in China and how they develop institution-specific capability through individual learning.

7.3 Managerial Implications

This section addresses how the generated results can be applicable to managers and entrepreneurs operating in foreign markets. It is evident from my data that the role of entrepreneur is crucial in making decisions in internationalization. In line with the outcomes discussed in the thesis, managerial implications are provided for other entrepreneurs who pursue a successful and sustainable development of their ventures in emerging economies. The managerial recommendations are listed and discussed below.

Morley et al. (2010) suggest practitioners often ask the question "What competencies should we build our global leadership programs upon". Scholars try to provide conceptual framework to answer this question (e.g. Bird and Osland, 2004; Morley et al., 2010) but there is a shortage of empirical supports. This thesis provides empirical data and suggests several capabilities that practitioners should develop to survive in foreign markets. The cultural intelligence and the emotional intelligence are discussed below.

Cultural intelligence-Positive predispositions: Entrepreneurs should reflect upon that their predispositions to host country affect their decision-making in terms of information selection and interpretation. In my data, entrepreneurs with positive predispositions are more likely to adapt to Chinese institutions and minimise institutional distances that help increase the survival rate of foreign ventures. Entrepreneurs have pre-existing predispositions to China but it may be changed by their experience. For example, Entrepreneur Machine and Food did not have strong predispositions to China before entry but Entrepreneur Machine ended up with strong negative predispositions while Entrepreneur Food was attached to China. The actions they took in response to critical incidents, particularly those related to institutional distances varied. Entrepreneur Machine avoided communication and interaction with locals while Entrepreneur Food actively joined local society and read about Chinese history. Thus Entrepreneur Food is more likely to build positive predispositions to China through communication and learning.

Entrepreneur Food's positive predispositions are the key to learn and adapt to local institutions. This positive predispositions can be developed through individual learning. This perception management enhances entrepreneurs' mental flexibility when confronted with cultural differences and make them curious and interest in other culture (Morley et al., 2010). This argument, together with my findings in section 6.2.1.1, indicates entrepreneurs can develop their global competencies through managing their predispositions to host countries. This cultural intelligence is as important as other intelligence (e.g. rational, verbal and quantitative intelligence) for a global leader (Alon and Higgins, 2005). The cultural intelligence in Chinese market in discussed below.

Cultural intelligence of China: Learning and adaptation are important factors to build positive predispositions, decrease institutional distances, enable opportunity identification and survive in emerging economies. Poor cultural adaption and intelligence lead to negative predispositions, unnecessary conflicts and leadership failure (Alon and Higgins, 2005). The first step to develop cultural intelligence is to recognize cultural differences.

Due to the thin formal institutions in China, informal institutions largely substitutes formal institutions in terms of property right, arbitrary enforcement of business regulations, resource acquisition and opportunity identification. This increases the difficulty and costs for foreign entrepreneurs operating in China since informal institutions are usually invisible and unwritten. My findings show that entrepreneurs have two reactions towards informal institutional distances: resistance or internalisation. For those entrepreneurs who resist local informal institutions, they usually need to pay higher operational costs to “keep” their own ways of doing things and they may have higher emotional costs due to institutional distances. For those entrepreneurs who embrace local culture, they are easier to develop cultural intelligence such as guanxi. According to Entrepreneur Metal and Construction, this is a more efficient way to operate in China.

Political ties, guanxi and being Zhongyong are the cultural intelligence to survive in China. Maintaining a good relationship with Chinese Government is important. In addition, other guanxi such as relationship with suppliers and customers are also crucial. It is agreed that network is positive to opportunity identification. In China, guanxi (network) is not only an access to opportunity but also a shortcut to opportunity pursuit since informal institutions are more influential than formal institutions. Therefore, instead of building guanxi alone (which is usually time-consuming and costly), collaborating with local companies or hiring local managers may be a better way to enter Chinese market.

As suggested by Entrepreneur Metal, entrepreneurs should be Zhongyong to survive in China. It is based on 3 principles: 1) self-control, self-learning, and self-regulated 2) empathy and forgiveness 3) being sincere and faithful. Being Zhongyong is like the double loop learning that changes entrepreneurs’ assumptions of certain events. In my cases, it changes entrepreneurs’ perception of corruption and employee-employer conflicts by minimizing the institutional distances. Thus, entrepreneurs may act like a local in problem-solving and resource-seeking. For example, Entrepreneur Construction viewed bribery and commission as an operational cost instead of unethical events and Entrepreneur Fruit viewed staff corruption as the result of poor management but not institutional problems.

I do not suggest that entrepreneurs should be a Chinese to survive in China; instead, I argue entrepreneurs should be open-minded to try to understand local culture. Entrepreneurs should jump out of comfort zone and avoid the “we are better than you” pre-existing image. Only by understanding local culture and communicating with locals, foreign entrepreneurs can learn to what extent they should localize the company and implant their own culture.

Emotional intelligence: For entrepreneurs, understanding the impact of emotions allows them to learn to manage or even take advantages of their emotions. Like cultural intelligence, emotional intelligence is also vital for entrepreneurs operating in foreign markets (Alon and Higgins, 2005; Bird et al., 2010). Entrepreneurs should appreciate emotions as something natural and essential in decision-making. The effective management of their emotions enables them to reduce the emotional costs and achieve emotional survival. Emotions can be the drive of opportunity identification, organizational changes, and learning which are positive to organizational development. Entrepreneurs should have “*an awareness of, and sensitivity to, the emotions and feelings of others*” (Bird et al., 2010: 817) to develop their emotional intelligence to survive in China. As indicated in my findings, being empathetic is positive to the development of emotional intelligence. It is worth time and effort to perceive, identify, and understand the impact of emotions and try to manage it in everyday life. Entrepreneurs’ emotional intelligence is positive to organizational performance (Staw, 1981) and the development of global leadership competencies (Alon and Higgins, 2005).

7.4 Policy Implications

Most of the policy recommendations derived from this research are targeted a national and government level rather than an industry level. This is due to the fact that this research does not focus on particular industry but provides important suggestions for Taiwanese and Chinese Government. It is agreeable that Taiwanese entrepreneurs invested in China play a significant role in economic development in both countries. Despite the political tension, Taiwan and China are closely intertwined in terms of economic development. As suggested in Theme A,

Taiwanese entrepreneurs' predispositions to China, which are built on their social and historical experiences, affect their willingness to stay in China. Thus, it can be predicted that deteriorated cross-strait relationship may increase the exit rates.

Viewed from Chinese Government's perspectives, Chinese institutions such as unspoken rules and bribery are major difficulties that Taiwanese entrepreneurs experience in China. Although these difficulties are inevitable in this fast-changing emerging economy, Chinese Government should offer a communication platform for Taiwanese entrepreneurs to seek for helps. Instead of letting them discover the unspoken rules through negative experience, local government may offer a workshop or database to help new investors understand informal institutions to minimise the institutional distances.

Viewed from Taiwanese Government's perspectives, Entrepreneur Metal indicated a lack of systemic support from Taiwanese Government in foreign investment. In addition, the investment plans and regulations are frequently changed by the political tension between two governments. He calls for a more open and transparent regulations and Taiwanese Government should minimise the effect of political tension on economy activity. In addition, Taiwanese Government should offer consultation service to entrepreneurs interested in overseas opportunities. Chinese institutions are a major difficulty for Taiwanese entrepreneurs; however, most entrepreneurs are not aware of this problem until they actually operate in China. They usually seek support from their friends and are unaware of the Straits Exchange Foundation, which can offer consultation services.

The role of institutional distances, predispositions to China, and individual learning imply Taiwanese Government should provide adequate resources, information and practical guidelines to get entrepreneurs prepared for the institutional distances and show them where, how and when to seek for helps. It is agreeable that understanding local culture is beneficial for business survival. Taiwanese Government should provide information about China from economic perspective instead of political one to avoid the pre-existing negative predispositions to China.

Finally, it is important to point out that current political tension between Taiwan and China may affect long-term cross-strait economic development. As indicated in Figure 6-8, entrepreneurs learn from their current actions and it may change their predispositions. A single government action (e.g. blocks websites, news) may significantly change entrepreneurs' predispositions (e.g. Entrepreneur Machine). Hence, both countries should be careful in making any political announcement and actions.

7.5 Evaluation of the thesis

This section firstly evaluates the significance of theoretical and methodological contributions. The generalization to other contexts is discussed. It also looks at the limitation of this research.

7.5.1 Evaluation of theoretical contributions

This thesis aims to explore the role of entrepreneur in decision-making in the context of international exit in emerging economies. The theoretical contributions of this research highlight how and why the key active agents, entrepreneurs, make a non-rational international exit decision. The thesis integrates concepts from various strands of International Business (IB) and Entrepreneurship literature. The entrepreneurial exit and emotions literature in Entrepreneurship field and foreign divestment, de-internationalization literature and institution-based view in International Business (IB) field are combined to examine the exit of Taiwanese entrepreneurs invested in China.

The theoretical contribution of this research adds to knowledge of bridging the IB and Entrepreneurship field. The Entrepreneurship theory provides fresh insights to IB field through highlighting the authority of entrepreneurs and presenting the non-economic gain of owning a firm. The IB theory adds to Entrepreneurship field through presenting the dynamic business context and the role of institutions. The research setting contributes to both fields through adding empirical data from emerging economies. It answers four scholarly calls from different fields: firm's post-entry development (Jones and Coviello, 2012), the linkage of theory to

emerging economies (Xu and Meyer, 2012), the role of entrepreneur and their mindset in internationalization (McDougall-Covin et al., 2014), and the role entrepreneurs' emotions in shaping entrepreneurial process (Cardon et al., 2012).

In summary, the theoretical contribution of this thesis enhances the understanding of international exit in emerging economies through entrepreneurs' perspectives and generating new concepts from emerging areas in Entrepreneurship field. The new concepts are evident through the investigation and research process of this thesis. The next section discusses the possibility to generalise the finding to other emerging economy contexts.

7.5.2 Generalisation to other emerging economy contexts

The findings and arguments in my thesis may be applicable to other emerging economy contexts. The argument that entrepreneurs are the key active agents in decisions making is applicable to firms from developed and developing economies. It is true that individual variables may have different degrees of impact on decision-making process in different contexts. For instances, entrepreneurs' predispositions to host country, institutional distances and informal institutions may be less significant in countries with thick formal institutions (Peng et al., 2009). However, family and personal goals are influential for entrepreneurs from other contexts. For example, Hatem (2012) highlights the role of family (second generations) in internationalization strategies in north Africa region and Choo and Wong (2006) indicate Singaporean entrepreneurs' non-economic goals drive their decision-making process. Entrepreneurs' emotions, as suggested by Shepherd (2009), play a vital role in every exit decision.

Hence, the conclusions drawn from my research might therefore applicable to firms in other contexts, particularly for those firms from developed economies invested in emerging economies. Institutional distances play a vital role in this research and is closed intertwined with my findings of predispositions and emotions. Entrepreneurs from developed economies may experience greater distances when investing in emerging economies thus highlight the role of entrepreneurs' predispositions to host country, empathy and disgust. Applying my theoretical framework to other emerging

economies contexts may achieve similar results; however, researchers should not assume that any or all characteristics will be shared but use a grounded approach to uncover shared characteristics.

7.5.3 Validity and reliability

The threat of validity and reliability in qualitative research is mentioned by Miles and Huberman (1994). Construct validity is described as “a procedure which refers to the quality of conceptualisation or operationalization of the relevant concept” (Gibbert, 2008:1466). Construct validity was ensured in this study by using multiple sources of evidence and by having interviewees review drafts and critical incident tables of the case study reports.

Reliability describes the minimisation or elimination of random error, in other words researchers should come to the same conclusions if they conduct the study following the same steps (Denzin and Lincoln, 1994). In this research, reliability was sought by using a case study protocol and the detail illustration of data collection, coding and analysis process (Chapter 4). Data were collected from different sources (Table 4-5) for a data triangulation purpose (Table 4-7). The analysis is reliable in terms of replicability because coding rules have been documented and the coding procedure is illustrated in section 4.6.2.1 (Bryman and Bell, 2007). However, Lincoln and Guba (1985) indicate that the attempt to replicate the data collection may not succeed for the subjective participants.

7.5.4 Limitations of the research

Although every effort was made to conduct a research with high standards and high quality, as with any research, there are limitations to this study. Qualitative and case study research is generalizable to theoretical propositions but not to populations (Miles and Huberman, 1994). That is, this research aims to achieve analytical generalization instead of statistical generalisation. Due to the emergent nature of the topic and the lack of in-depth understanding of the context and issue, following, the case study method is selected to acquire knowledge, explore new area, and build the theory (Tan and Nojonen, 2011).

In addition, the context of this research is Taiwanese entrepreneurs invested in China. Due to institutional, national, and cultural difference, the decision-making of Taiwanese entrepreneurs may not represent other foreign entrepreneurs including the US, UK or Germany. For example entrepreneurs or top management team of Western large multinational companies usually make decisions according to careful analysis and reports. The ownership structure influences the decision-making and the exit rate in internationalization (Liu et al., 2011). Different culture (collectivism verses individualism) may also affect the decision-making in terms of pursuing group or individual interests (Sharma and Manikutty, 2005). Another limitation is the subjectivity due to the retrospective and self-report design. Some data were collected after many years and the memory can be fallible (Blaikie, 2010). Employing a critical incident technique only minimised the effect of retrospective bias, but cannot eliminate them.

Finally, this thesis does not incorporate an industry-specific view as it investigates cases from different industrial backgrounds. It is difficult to carry out a sector specific study since there are insufficient cases for individual industrial sectors (Turcan, 2006). Moreover, this thesis focuses on Taiwanese entrepreneurs invested in China. Compared with sector specific variables such as competition level, context specific variables such as institutions should have more impact on entrepreneurs' mind-set.

7.6 Future research

In general, there are four future research opportunities emerged from my research. Firstly, acknowledging the value of non-economic variables and emotions opposes a view that entrepreneur is rational. Emotions are compulsory in decision-making; the problem is, to what extent. Further discussion may build on answering this question. Ji and Dimitratos (2013) examine the impact of culture on degree of rationality and Choo and Wong (2006) argue Singaporean entrepreneurs are more likely to be driven by non-economic variables. Sharma and Manikutty (2005) propose that, among other factors, culture has an impact on attachment and on decision-making of family firms, and this may differ depending on whether it is in a collectivistic or an individualistic

society. That is, an entrepreneur from a collectivistic society may be less monetary-driven and more family-driven. My findings also show similar results and entrepreneurs frequently reference Confucianism as the key variables in their decision-making. They seem to have different definitions and emphasis of the role of family in their business operation. An in-depth investigation of cultural impact and a cross-country comparison would be an interesting topic.

Secondly, my research uses the research setting-entrepreneurs from newly developed economy invested in emerging economy. Other setting may be applied such as developed-emerging (e.g. UK-China), emerging-emerging/developing (e.g. China-Brazil; China-Vietnam) or emerging-developed economies (e.g. China- USA). My research finds institutional distances is a major source of negative critical incidents, and frequently generates strong positive/negative emotions. It remains an interesting question of what emotions entrepreneurs may elicit in response to different institutions.

Thirdly, my findings suggest empathy is positive to entrepreneurs' learning and adaptation of local institutions. Conversely, what are the emotions that may impede entrepreneurs' learning process? Disgust may be the answer since it is a defensive mechanism to avoid psychic incorporation or further contacts with a repellent object (Rozin et al., 2008). Further research on disgust is thus required to provide an overview of entrepreneurs' learning in internationalization. Additionally, confidence has both positive and negative effects on venture survival. My data suggests the sources of confidence could be resource richness, entrepreneurial experience, industrial experience, and international experience (in the host country). What type and what level of confidence is more likely to contribute to venture survival require further investigation. A quantitative research testing entrepreneur's different types/level of confidence and exit rate may answer the question.

Finally, this research mainly examines emotions separately. Brundin et al. (2008) suggest confidence can moderate the effect of other emotions. As suggested in my critical incident tables, single incident can elicit more than one emotion. The relationship between emotions may be examined in future research, such as an

empathetic entrepreneur is less likely to feel negative emotions or a passionate entrepreneur is more likely to overcome their fear. The relationship between anger and confidence is also interesting since my data suggests angry entrepreneurs usually have higher confidence level, which supports them to take actions. London et al. (1971) suggest similar concepts but a more in-depth analysis is required.

7.7 My publication plans

The results of my thesis will be submitted in journals for publication. Current publication plans are listed below

Submitted and waiting for reply

The first paper presents the finding in Theme B, focusing on how entrepreneurs' emotions shape their actions in internationalization.

1. The role of entrepreneurs' emotions in international exit strategies: A study of Taiwanese entrepreneurs invested in China (Journal of Business Venturing).

Future submission plans

The second paper highlights the connection of being empathy, individual learning, institutional distances, trust building and entrepreneurs' commitment level in foreign markets. I will focus on the aspect that learners should be viewed as a heterogeneous group in learning (section 6.3.1.3).

2. Minimizing the institutional distances in foreign investment: empathy, learning and trust building (Journal of Business Venturing).

The third paper presents my revised theoretical framework in Figure 6-8 and Theme A results, highlight the individual variables that results in international exit decisions.

3. Understanding international exit decisions, viewed from an individual and non-economic perspective (International Business Review).

The fourth paper is a literature review paper of 136 articles relevant to international exit, foreign divestment, de-internationalization, international relocation and foreign business closure (Appendix A). This review presents current understanding of

international exit in IB field and identifies the need of an emerging economy-based model, behavioural turn, and an individual level analysis.

4. International exit- a critical review and research agenda (International Business Review).

The fifth paper discusses the rationality in decision-making process and develops a theoretical framework of non-rational decision-making process using a learning perspective.

5. Non-rationality and learning in strategic decision processes (Long range planning, rejected and planning for another submission)

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Appendix A-1: Environmental level variables

Category	Variables	Studies		
		Authors	Methods	Relevant Finding
Economic Conditions	GDP/Macroeconomic expansion and crisis	Geroski, Mata and Portugal (2010)	Longitudinal, cohort and quantitative study, Portugal government database	The founding conditions are vital variables of firm's survival. The effect of GDP and industry competition is long-term while the effect of resources is immediate.
		Swoboda, Olejnik, and Morschett (2011)	Quantitative study, 325 Germany firms survey	Firm performance and external environment are related to mode reductions (e.g. divestment or exit) while internal environment and managerial attitudes connected with mode increases (e.g. expansion)
		Child, Chung and Davies (2003)	Quantitative study, 615 HK firms in China	Although favourable economic condition is positive to foreign firms' survival rate, strategic managerial action also plays a role to improve performance and survival rate. (Natural selection, social action theory and contingency theory)
		Marcus (2008) Domestic Exit	Quantitative study, 2200 Sweden firms, cohort study	The decreasing risk during macroeconomic expansion contributes to firm's survival rate while economic downturn increases the exit rate
	Labour Costs	Fisch and Zschoche (2012)	Quantitative study, Germany MNEs	Firms divest a foreign location due to rising and uncertain labour costs. Foreign firms shift production to locations with opposite labour costs developments
		Coucke and Sleuwaegen (2008)	Quantitative study, manufacturing firms in Belgium	Firms relocate their production base to lower wage countries (e.g. from EU to non EU countries) to improve their chance of survival.
	Economic gap between host and home country	Tsang and Yip (2007).	Quantitative study Singapore firms, archives analysis	When the home country economic condition is better than host country, the greater economic distance between home and host country, the higher survival rate of FDI firms

Institutions	Institutional changes	Chung and Beamish (2005)	Quantitative and longitudinal study, archives analysis, Japanese firms in emerging markets	Wholly-owned and ownership concentrated subsidiaries are more likely to survive in post crisis institutions due to effective response. Manufacturing firms are also more likely to survive than trading firms in turbulent times
Industrial Conditions	Industry concentration	Geroski, Mata and Portugal (2010),	Longitudinal, cohort and quantitative study, Portugal government database	Industry concentration has long-term effect on firm's survival. High and low industrial competition are both negative to firm survival. The density of upstream suppliers also influence firm's survival rate.
		Mitchell, Shaver and Yeung (1994)	Quantitative study, survey 34 Canadian firms in USA	High and low foreign presences are both negative to firm's survival. High foreign presence industry is too competitive while low foreign presence industry is lack of supply chain.
		Shaver, Mitchell and Yeung (1997)	Quantitative study, 354 foreign manufacturing firms in USA	Firm's previous international experience contributes to foreign survival. In addition to own experience, firm can also obtain the knowledge from industry. Greater foreign presence in industry will facilitate the industry knowledge spill over, which contributes to the survival of foreign firms.
		Coucke and Sleuwaegen (2008)	Quantitative study, manufacturing firms in Belgium	Although higher industry concentration is negative to firm's survival, MNEs are less sensitive to this situation compared with domestic firms.
	Industry life circle/ Dominant design	Klepper (2002) Domestic Exit	Quantitative and cohort study, firms from 4 USA mature industries	The appearance of dominant design and the industry life circle determine the survival of new entrants. In general, firms entering earlier may have longer life spans, but only until the emergence of the dominant design (Klepper, 2002; Suarez and Utterback, 1995). Diversified and routinized MNEs are more like to survive before dominant design while innovative and entrepreneurial firms are more likely to survive after dominant design (Lin and Huang, 2008).
		Lin and Huang (2008) Domestic Exit	Quantitative and cohort study, Taiwan firms	
		Suárez and Utterback (1995) Domestic Exit	Quantitative study, 6 industries	

Appendix A-2: Organizational level variables

Category	Variables	Studies		
		Authors	Methods	Finding
Firm characteristics	Size	Bercovitz and Mitchell (2007)	Quantitative and longitudinal study, USA medical industry, 681 firms	Greater business scales and scope are positive to firm's survival due to resource richness and flexibility.
	Sales	Fotopoulos and Louri (2000)	Quantitative study, Greek manufacturing firms	Greater sales and profitability are positive to firm's survival, thus firms established during economic recession are more likely to exit.
	Ownership structure	Mata and Portugal (2000)	Quantitative and longitudinal study, Portugal government database	Ownership structure affects the chance of divestment but have no significant influence on business closure.
		Chen and Wu (1996)	Quantitative study, 1,338 foreign-owned (mainly Japan and USA) firms operating in Taiwan	Foreign ownership is shown to be positively related to survival. Fully-owned subsidiaries are less likely to exit since they enjoy more competitive advantages of headquarter. Also, the lack of local participation also increases exit costs since foreign owners cannot transfer equity shares within the firm.
		Kronborg and Thomsen (2009)	Quantitative study, foreign subsidiaries in Denmark, comparison study of foreign and domestic companies	The exit risk for foreign owned companies is half of domestic companies due to the resources, expertise and experience of parent company. However, this foreign survival premium decreases over time due to the rapid growth in the number of foreign subsidiaries.
Firm resources	General human capital	Westhead, Wright and Ucbasaran (2001)	Quantitative and longitudinal survey, 621 UK firms in manufacturing and service industry	The general human capital of entrepreneurs increases the possibility to export. Although it has not significant effect on survival, it significantly improves performance.
		Mata and Portugal (2000)	Quantitative and longitudinal study, Portugal government database	Greater human capital discourages both exit and divestment decision due to the high exit costs.
	Financial capital	Westhead, Wright and Ucbasaran (2001)	Quantitative and longitudinal survey, 621 UK firms in manufacturing and service industry	Firms with sufficient financial capital and access to financial capital are more likely to survive and grow
	International knowledge, experience, learning, and capability	Westhead, Wright and Ucbasaran (2001)	Quantitative and longitudinal survey, 621 UK firms in manufacturing and service industry	Firms with management know-how are more likely to export, which is positive to long-term growth and performance. Industry-specific knowledge is positive to firm's internationalization and performance.
		Li (1995)	Quantitative study, Foreign subsidiaries of USA computer and	Previous international experience can overcome liability of newness and foreignness, and is positive to firm's survival.

			pharmaceutical industries	
		Shaver, Mitchell and Yeung (1994)	Quantitative study, 354 foreign manufacturing firms in USA	Previous international experience, especially current host country experience helps managers to identify the industrial knowledge spill-over and is positive to firm's survival.
		Delios and Beamish, (2001)	Quantitative study, 3,080 subsidiaries of 641 Japanese firms	Parent firms' foreign experience is positive to new subsidiaries' survival. Kim et al. (2012) further indicate inter subsidiaries' learning also increase the survival rate. The exchange of knowledge and experience between subsidiaries-headquarter and subsidiary-subsubsidiary, the cumulative experience in internationalization enhances the survival in all subsidiaries.
		Kim, Lu and Rhee (2012)	Quantitative study, Japanese firm's foreign subsidiaries	
	Network resources/connections	Brüderl and Preisendörfe (1998) Domestic Exit	1700 Germany start-ups, interviews, quanta	By testing 1700 Germany start-ups, the network compensation theory (network can compensate the lack of other resources) does not find empirical confirmation; however, network enhances firm's performance and survival of start-ups.
		Manolovaa, Manevb and Gyoshevc (2010)	Quantitative study, 623 INVs in Bulgaria	Firm's and personal networks facilitates the speed of internationalization, and the survival of INV depends on the speed that firm's transfer founder's personal networks to inter firm network
		Zhou (2013)	Quantitative study, 1946 Chinese entrepreneurial firms	Firms with political connections are easier to survive in China because entrepreneurial firms with political connections enjoy more security in terms of property rights and resources.
Entry strategy	Entry time	Isobe, Makino and Montgomery (2000)	Quantitative study, 220 Japanese joint ventures in China	Early entrant and high commitment level (see entry mode) with condition of strategic importance and the support from infrastructure and parent company are positive to firm survival and growth.
		Kronborg and Thomsen (2009)	Quantitative study, foreign subsidiaries in Denmark, comparison study of foreign and domestic companies	Foreign entrants enjoy greater chance to survive, and this survival premium is even more significant for early entrants. However, this survival premium is decreasing and even gone over time as more and more foreign competitors enter the market.
		Sapienza, De Clercq, and Sandberg (2005)	Quantitative study, Belgium firms survey	Early foreign entry is positive to organisational learning in both international and domestic markets
		Zaheer and Mosakowski (1997)	Quantitative study, 2667 international banks	The passive learning will gradually reduce mortality risk and eventually increase survival rate.

Entry mode (commitment level)	Isobe, Makino and Montgomery (2000)	Quantitative study, 220 Japanese joint ventures in China	High commitment level (see entry mode) with condition of strategic importance and the support from infrastructure and parent company are positive to firm survival and growth.
	Li (1995)	Quantitative study, Foreign subsidiaries of USA computer and pharmaceutical industries	Higher commitment level such as greenfield is positive to foreign survival compared with joint venture and acquisition.
	Shaver (1998)	Quantitative study, 213 FDI entries by 177 firms in USA.	Conventionally, greenfield is positive to firm's survival. However this advantage disappears when firm "self-selected" greenfield strategy based on industrial condition and firm's capabilities.
Location choice	Fotopoulos and Louri (2000)	Quantitative study, Greek manufacturing firms	Urban location is positive to survival due to agglomeration economies and market-pull factors.
	Shaver and Flyer (2000)	Quantitative study, USA manufacturing industries	Stay in agglomeration is negative to leading firms (imitation) but positive to weaker firms' survival (nothing to lose).
Product Strategy (Diversification)	Li (1995)	Quantitative study, Foreign subsidiaries of USA computer and pharmaceutical industries	A higher exit rate for diversified subsidiaries than single focused subsidiary, which stick with parent firm's main products.
	Stearns, Carter, Reynolds and William (1995) Domestic Exit	Quantitative study, USA firms survey	Diversified product strategy is positive to firm survival.
	Christensen, Suárez and Utterback (1998) Domestic Exit	Quantitative study, high-tech industry	The product strategy should match product and target markets.
Liability of foreignness/newness	Zaheer and Mosakowski (1997)	Quantitative study, 2667 international banks	Liability of foreignness will have negative impact on firm survival but diminish overtime.
	Mata and Portugal (2002)	Quantitative and longitudinal study, Portugal government database	Compared the survival rate of domestic and foreign firms, the authors found out liability of foreignness actually has no significant effect on survival.
Strategic renewal	Makino, Chan, Isobe, and Beamish. (1997)	Quantitative study, Japanese international joint ventures (IJV)	Indicating two types of venture termination: intended and unintended. IJV exit market when their initial goal achieved (intended) or when unanticipated crisis that emerge in the external, internal, or inter-partner conditions after the establishment (unintended).

Appendix B: Coding rules and definitions-Data analysis

Coding rules of institutions, Theme A

Code	Definition	Examples
Formal institutions	Government policy and interferes: difficulties resulted by government or lack of regulations including expropriation (take private property for public use) without suitable compensation, changing policy, political system and tension.	Working with government is just like working with snakes, they may bite you. But it's okay, I never expect I can keep my shares forever ...At least we obtained some guanxi through this collaboration. As a businessman, it's pointless to challenge Chinese government. This problem is just like what I had in 2005 (plant relocation). I felt a bit angry, but it's okay. Well, this is China, you don't want to risk your relationship with government for the sake of money. (Quote F1, Entrepreneur)
Informal institutions	Unspoken rules Difficulties associated with informal institutions, focusing on industry and market institutions, including bribery, local protectionism, and norms that may increase operational costs.	There are too many unspoken rules in China...in addition to corruption, gifting, and facilitation fees, you also need to DONATE to local education system, residential welfare. There are many unspoken rules here and only insiders know how to deal with it. For example, you need to bribe the distributor to display the product, but how, who, when, what to bribe is a technique. You can't survive in China without knowing all these (unspoken rules.) “ (Entrepreneur, Firm A)
	Employee-employer/ cultural conflicts Difficulties associated with informal institutions, focusing on dispute with employees or locals due to cultural difference and value or moral conflicts.	“I am driven by responsibility instead of passion now, I have to feed my family and my workers have to support their families too...I hired local managers to help me...but they still disappointed me sometimes, I think I will never use to the Chinese way of doing things” (Entrepreneur, Firm B)

Coding rules of Individual variables, Theme A

Code	Definition	Examples
Negative predispositions to host country	A strong dislike or disinclination to specific event or Chinese environment/ institutions/ people	When I first enter into China, Chinese government was more humble and always tries to help. Although they asked for bribery, they knew it was unethical and felt embarrassed. Now they think it is your job to bribe them and they accept only high value and trendy products, I remembered I gave a laptop to them (government office); they returned it and said they want latest apple products... I usually give higher pay to my staffs to ensure their loyalty, but they still steal my design and sell to my competitor to make extra money, I can't remember how many times my workers steal critical components and parts to sell to my competitors for profit. Chinese people have become money-orientated and shameless, neglecting traditional virtues, moral, and ethics. They can do anything to be rich. I am sick of it" (Entrepreneur, Firm B)
Family	Family socio-emotional wealth, family control of the business, or family need and interests	I have no vacations and no personal life in the past 20 years, I fully committed to my business and even my wife and children had to come to my factory to help in the weekend, we spent all our leisure time in this company...this is how I create and maintain my venture...shutting down Danyang is a sad decision, but it is a necessary step to protect and continue my business. I know Bao and I don't think my children and handle her in the future. We commit so much in this, I can't take any risks (of losing family control)...although I feel sorry for her, I must do it. (Entrepreneur, Firm A)
Personal Goals	Personal goal/ personal achievement (the dream come true) or shift of personal goal/interest	For me, making money is not my first priority anymore. For example, if you are very hungry, you need to do your best to fight for the food. But if you are not hungry, why you need to sacrifice everything for food? I don't need many zeros in my bank accounts. I just need enough money to support my life. I find there are something more interesting, I missed my life in USA, I visit Metropolitan Museum of Art every weekend and have a walk with my wife in the Brooklyn Bridge ... it's not worthy to sacrifice my life for money (Entrepreneur, Firm B)

Coding rules of emotions, Theme B

Code	Definition	Keywords	Examples
Passion	Passion is an intense positive emotion whose empirical referents or objects usually involve venture-related opportunities, tasks, or activities and that has a motivational effect that stimulates entrepreneurs to overcome obstacles and remain engaged. (Cardon et al., 2009: 512) Passion is an emotional energy, drive and spirit (Bird, 1989)	Be cheerful, excited, enthusiastic or energetic about the critical incident including business operation, opportunity, tasks and / or activities and give entrepreneurs emotional energy to doing something	I felt very relaxed and happy in Firm E; it was interesting to meet so many different people. I stood on the top of a bench and explained how to select and eat Taiwanese fruit...The Nanjing people love me and my Taiwanese accents (laugh). I had 5 TV interviews, 3 newspaper reports, and 1 magazine interviews, I became the celebrity in Nanjing and everyone knows me (laugh)...It was a great fun and I feel so proud in front of my friends (Quote E3, Entrepreneur,).
Confidence	Confidence reflects two personal beliefs: (1) that it is feasible; and (2) a belief in one's ability to succeed (Dimov, 2010)	Being fearless, proud, strong or daring about the critical incident including business operation, opportunity, tasks and / or activities. Usually entrepreneurs are optimistic about the opportunities, problem or business operation.	I felt like innovation can be the solution. Previously, my profit range was 5-7% and now is much higher. Rising costs is not a problem anymore, I have orders for the next 15 months and my customers are still queuing. Yes I keep investing in the lab. This is my competitive advantage... (entrepreneur Metal)
Empathy	Empathy involves internalising the frame of reference of another (Triandis 1980) Empathy is to step into the shoes of another person, aiming to understand their feelings and perspectives, and to use that understanding to guide our actions (Krznic, 2014). It is usually associated with understanding, forgiving and most importantly, the willingness to improve the situation	Showing the attempt/curiosity to understand and learn local institutions and judge their behaviours from their own perspective not yours (avoid prejudice) and use it to guide the actions.	I solved at least 30 cases of employer and employee conflicts...Most of cases were because of the attitude of Taiwanese entrepreneurs. They were too arrogant, lack of communication and treat their staff like a machine. This (management style) worked well 20 years ago but not now...the old fashion way is not working anymore, you have to respect your staff, listen to their opinions, and use rewards instead of punishments. ... You need to be considerable, humble, understanding your staff and most importantly, build up a systemic management style and be hard-working to be their model... (Quote F2, Entrepreneur). Note: entrepreneurs usually show his understanding of the situation, try to find the reasons of (negative) events (not avoid, not escape), and interpret from Chinese perspective.

	through learning and put yourself in other person's shoes		
Fear	Fear is a typical negative and an avoidance-oriented emotion signals threat and the incapability to control the situation (Welppe et al., 2012).	Being afraid, scared, frightened, nervous or shaky about the critical incident including business operation, opportunity, tasks and / or activities.	It was unbelievable, my full-time sales works for my competitors for commissions. Everyone thinks they work for my competitors. They are so greedy and always try to take advantages of others...I am not surprised if Chen told me they (sales) run away with my money and inventory... No, I don't have expansion plan; it's scary to leave my business to these people (Quote C4, Entrepreneur).
Anger	Anger has been found when the self has been offended or injure, additionally, another person (not the self) should be responsible for this negative event (Lerner and Tiedens, 2006).	Being irritable, furious, or raging about the critical incident including business operation, opportunity, tasks and / or activities.	My competitors keep stealing my new design. I was irritated that I doubled my R&D budget to speed up the innovation process. These dirty players will never catch up with me (Quote B9, Entrepreneur)
Disgust	Disgust is a negative emotion and a defensive mechanism to avoid psychic incorporation or further contacts with a repellent object (Rozin et al., 2008)	Being sick of, hate or loathing about the critical incident including business operation, opportunity, tasks and / or activities.	Their food is unhygienic even poisonous, their people never follow the rules, arguing and shouting everyday...this is not the life I want... I've had enough of China (Quote B10, Entrepreneurs) Note: In general, entrepreneurs should show his "dislike", "aversion" or "hate"

Coding rules of actions, Theme B

Code	Definition	Examples
A1: Increase commitment/ opportunity recognition and implementation	Entrepreneurs increase commitments in current project or identify and implement new opportunities.	I keep finding potential location and partners in China. I've been to Sichuan, Shanghai, Beijing...except those stores, I also worked with Taobao and opened an online shop.... I know this is my problem...if I am very excited about something, I am blind...I was too optimistic about my products in Shanghai...I think sometimes you need to be crazy to set up a venture (Entrepreneur, Firm D)
A2: No changes	Entrepreneurs do nothing, remain status quo	My Italian friend invited me to open a business selling gelato, gelato ingredients and equipment in China, I know there was a market and very possible to succeed...but I was too tired to run more business in China. I don't want to commit more in China. It's enough. Don't want to worry about my design, property, and my staffs. I am afraid of Chinese government... (Entrepreneur, Firm B)
A3: Decrease commitment	Entrepreneur decreases commitment in current projects, shut down departments/ offices or downsize but still stay in China.	"The rent was extremely high in Shanghai and my sales were out of control. I can't tell you how angry I was that time. Bad news every day... Yes I admit that the Shanghai office was a big mess so I shut it down reluctantly. I can fix this problem by focusing on a smaller market instead of the whole Jiangsu province." (Entrepreneur, Firm C)
A4: Learning and adaptation Resource reconfiguration/ Organizational restructure	Entrepreneurs actively seek for suggestions and advices from experts or locals to learn from local culture. Entrepreneurs are usually open-minded, open for communication and discussion. They may take actions including resource reconfiguration or organizational restructure to adjust to a Chinese setting.	China is a very unique market; they have been isolated for years that create a very different consumption style. For example, when my boss (Firm C) entered into China, we said we are going to sell PU because it is the best anti-leak paint, advanced and cheap. PU is our golden hen (best –selling product) in Taiwan. Jiangsu rains a lot and has serious leaking problems; we thought we could successfully enter into market... But we were wrong, in terms of product and pricing strategy. First, Chinese painters were used to another traditional material called Curve (paint), which was old fashion and no one used it anymore. We couldn't persuade painters to use PU because they were connected to Curve suppliers and used to Curve. Second, our pricing is wrong. The original strategy was 500 RMB per unit and gave 100 RMB to distributor, but this one didn't work. We had to increase the price to 700 RMB per unit and gave 300RMB to distributor, thus they were motivated to promote your products... Innovative and good products are not necessary work in China. The most important thing is how you share the profit with distributors and how you promote. Promoting a product is not by imagination and it is unpredictable. You have to learn carefully and use a humble attitude to learn from locals. I like to spend time with my retailers, talk to builders and workers. I found the way they use paint is totally different from Taiwanese and its very interesting. My understanding of this market was mostly from these informal conversations. This is something you never learn from reading a Marketing report. This is why many large foreign companies visit me for market information and collaboration. I know how to modify the product to

		Chinese style and how to communicate with Chinese distributors. (Entrepreneur, Firm G (Ex general manger of Firm C)
A5: International exit	Entrepreneurs completely withdraw the commitment and discontinue its operation in China by different means including sell-off, business closure or relocation to other countries.	“My Chinese factory is a success, it helps me dominate Taiwanese market and expand to international market. Now mission is complete and I want to create a more sustainable business for my children...instead of letting my children to deal with Bao and the sophisticated guanxi, I prefer to relocate to Vietnam and let my children participate from the beginning...of course its exhausted to rebuild a factory in a new country, but I can do it, just like 20 years ago...I am excited about this; I know this is my best chance to dominate the global brush market. The production costs in Vietnam is really low, and I can use Vietnam as the production base and set up Marketing and assembling factory in European country... Vietnam is the future, at least for next 20 years” (Entrepreneur, Firm A)

Appendix C-1: Quotation tables

Firm A Brush

Quote code	Full Quotes
A1	There are too many unspoken rules in China...in addition to corruption, gifting, and facilitation fees, you also need to DONATE to local education system, residential welfare. There are many unspoken rules here and only insiders know how to deal with it. For example, you need to bribe the distributor to display the product, but how, who, when, what to bribe is a technique. You can't survive in China without knowing all these (unspoken rules.) (entrepreneur)
A2	I have no choice...I have to choose between her or my children's future, besides, her management style was not suitable anymore, workers hated dictatorship and need some respects... I have to ensure the control of my company, I am not giving anyone my company shares, this company can survive without Bao, now I can make some changes and make it better. (entrepreneur)
A3	It was horrible and scary, I received phone calls every 2 hours with a crying (his staff) or outrage (Bao) woman on the phone, it drove me crazy...Bao tried to destroy these kids (Chinese management team) because of their betrayal, no one follow her and everyone support her resignation. I have to send a Taiwanese team to manage this crisis and stay there every day... most importantly, I need to protect the customer information and ensure daily operation, Bao knows the factory and she wants to destroy it, it was a nightmare... (entrepreneur)
A4	Being a boss, you have to close your eye sometimes particularly in China...Commission is a common issue in China, although she (purchasing manager) is a bit greedy...of course I was angry but I kind of understand. The traditional Chinese management style is everything unclear and no one wants to take responsibility. They follow orders instead of regulations. There is a reason for it...I think it's time to change. My staff is used to my management style and Taiwanese system, thus I want to incrementally make some changes... don't judge them by your moral standard...You should rely on a proper management system but not the morality of staff. I will build a good system and everything will be fine...I know it is painful for them, but I learned many things can be avoided if you have good management system (entrepreneur)
A5	Everything just out of control. They took over the factory and shout on my managers and government did nothing...I talked to someone and understood why government allow the riots. Boa's attitude offended the local government and those injured workers; she was too aggressive and hurt the "face"...I have to do it myself to show my respect and make them feel better. (entrepreneur)
A6	My Chinese factory is a success, it helps me dominate Taiwanese market and expand to international market. Now mission is complete and I want to create a more sustainable business for my children...instead of letting my children to deal with Bao and the sophisticated guanxi, I prefer to relocate to Vietnam and let my children participate from the beginning...of course its exhausted to rebuild a factory in a new country, but I can do it, just like 20 years ago... I am excited about this; I know this is my best chance to dominate the global brush market. The production cost in Vietnam is really low,

	and I can use Vietnam as the production base and set up Marketing and assembling factory in European country... Vietnam is the future, at least for next 20 years (entrepreneur)
A7	If I am for my own good or for my business's own good, I should sell my company to American (largest paint brush manufacturer), they gave me really good offer and I could be part of them...but what I am going to give my children and how about my staff? I have to be responsible although it's not easy...(entrepreneur)
A8	My husband is too optimistic I can't remember how much he loss by being optimistic...Me and his staff warned him about Bao but he never listens. He thought we were biased and narrow-minded. He always says everything works well ...no he wouldn't change this character (being confident and optimistic), this is just his style" (entrepreneur's wife)
A9	I know she (Bao) is hard to accept this, managing factory for 20 years and no one speaks for her when she quit...she commits a lot, almost the best time of her life, she is emotional attached with the company and must feel upset and angry ...I know why she wants some company shares but I can't give her...its awful to fight with someone you closely work with, I don't want to do this...the only thing I can do is to sell Danyang and share (the money) with her" (Entrepreneur)
A10	My boss usually announces a new policy after shouting with Bao, particularly when Wu (second GM) quit the company and Bao told him no one can manage the company except her...my boss slapped the door and told her he will do it (entrepreneur)
A11	I have no vacations and no personal life in the past 20 years, I fully committed to my business and my wife and children had to come to my factory to help in the weekend, we spent all our leisure time in this company...this is how I create and maintain my venture...shutting down Danyang is a sad decision, but it is a necessary step to protect and continue my business. I know Bao and I don't think my children and handle her in the future. We commit so much in this, I can't take any risks (of losing family control)...although I feel sorry for her, I must do it. (entrepreneur)
A12	"I had 6 brothers and 1 sister and only my father made money, thus I was very poor when I was young. I worked 12 hours per day in construction site to pay for my tuition fees. My first job was a sale, and I worked from 6:00 am until 10 pm to visit customers and 24 hours on call... There were no vacations and no personal life in the past 20 years, I fully committed to my business and even my wife and children had to come to my factory to help in the weekend, our family gathering time were all spent in this company...this is how I create and maintain my venture, my family and myself were closely attach to this venture...shutting down Danyang is a sad decision, but I consider it as a necessary step to protect and continue my business. I know Bao and I don't think my children and handle her in the future. We commit so much in this, I can't take any risks...although I feel sorry for her, I must do it. (entrepreneur)
A13	You should blame on yourself before blaming on others, and treat other people as you would yourself. By thinking in this way, you can win the loyalty and respects from your staff and learn how to operate in China (entrepreneur)

Firm B Machine

Quote code	Full Quotes
B1	I am driven by responsibility instead of passion now, I have to feed my family and my workers have to support their families too...I hired local managers to help me...but they still disappointed me sometimes, I think I will never use to the Chinese way of doing things (entrepreneur)
B2	I love my work and commit much of my time in, I was just like a working machine...In USA, I found there were something interesting...I visited Metropolitan Museum of Art every weekend and walked in the Brooklyn Bridge...I found life can be so peaceful and easy (entrepreneur)
B3	I know the truth and I know that SARS was very serious, but Chinese government manipulate the media and rewrite the story...there was no freedom of speech, at least not in the public, the government can do anything and pretend nothing happen, the worst part is, most Chinese believes in their government and there is no objection...I am worried about the disease and SARS, and I am scared of this kind of power” ” (Entrepreneur)
B4	I make a profit by selling my land and property since I was first mover and land was cheap 20 years ago. But in long-term, shutting down my China factory means the end of my all business within 10 years. Most companies want to deal with factory instead of trader now, it is very difficult to survive without the factory now but we don't want the factory anymore. This is my daughter's choice and she should be responsible for what she decides. She wants to be an artist and move to USA in the future. I am old and I am so sick of working in China, I want to enjoy my life and maybe travel around the work with my wife. I feel so relieved when leaving China (entrepreneur)
B5	My Italian friend invited me to open a business selling gelato, gelato ingredients and equipment in China, I know there was a market and very possible to succeed...but I was exhausted and don't want run more business in China (entrepreneur)
B7	All my friends warned me about the production efficiency...my neighbour (the owner of nearby factory) told me my staff finish early everyday... but I am happy with the performance now; there is a room to improve, but I but I rather stay in Taiwan (entrepreneur)
B8	For me, making money is not my first priority anymore. For example, if you are very hungry, you need to do your best to fight for the food. But if you are not hungry, why you need to sacrifice everything for food? I don't need many zeros in my bank accounts. I just need enough money to support my life. I find there are something more interesting, I missed my life in USA, I visit Metropolitan Museum of Art every weekend and have a walk with my wife in the Brooklyn Bridge... my daughter is young and she should have a try in China, but she rejected... it is time to shut down the factory, it's not worthy to sacrifice my life for money (entrepreneur)
B9	My competitors keep stealing my new design. I am so furious that I doubled my R&D budget to speed up the innovation process. These dirty players will never catch up with me (entrepreneur)
B10	Their food is unhygienic even poisonous, their people never follow the rules, arguing and shouting everyday... I don't trust their food, you know I have to bring my own food to China...I bring my own magazine and books...no I don't have social activities, I stay in my dorm room after work, I don't know how to talk to Chinese... this is not the life I want (entrepreneur)
B11	My design has best CP (cost/performance) value in the industry...I never worry about the increasing costs and competition. I strongly believe that technology and innovation can compensate the negatives (entrepreneur)
B12	When I first enter into China, Chinese government was more humble and always tries to help. Although they asked for bribery, they knew it was unethical

	<p>and felt embarrassed. Now they think it is your job to bribe them and they accept only high value and trendy products, I remembered I gave a laptop to them (government office); they returned it and said they want latest apple products... I usually give higher pay to my staff to ensure their loyalty, but they still steal my design and sell to my competitor to make extra money, I can't remember how many times my workers steal critical components and parts to sell to my competitors for profit. Chinese people have become money-orientated, they neglect traditional virtues, moral, and ethics... Yes I understand this is inevitable and in a transition economy, and I know they just want to have a better life. But it's hard to accept this. I want to believe in "human goodness by nature"* but they just disappointed me. They can do anything to be rich. I can't work with this kind of people (entrepreneur)</p> <p>*Confucianism, believe in people are born good</p>
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Firm C Paint

Quote code	Full Quotes
C1	My boss is afraid of losing face...after all, he is a successful and rich entrepreneur in Taiwan, and everyone will make fun on him if he exits China within 3 years...besides, Y (their main competitor) is successful in China and my boss doesn't want to surrender (general manager)
C2	Entering China is a big mistake. It's a waste of money and time. You can make money from many businesses, like my construction business, I am building villa in Taiwan and its very interesting. This one (China) is annoyed and difficult... Chinese government ask for money, my sales steal money, my suppliers always delay, my customer never pay on time, people is the biggest problem when investing in China. I rather make money in other ways (Entrepreneur)
C3	<p>My boss doesn't like Chinese government, so whatever happen, he blames on the government, which makes things worse (general manager)</p> <p>Sun supports green party, that's why he never likes Chinese government... Sun thinks it is a conspiracy that Chinese government trying to take over Taiwan through economic collaboration, it is a nonsense. He entered into China reluctantly and always think from the pessimistic side, he could have made things better...I don't think he will enter into China again, (entrepreneur's friend)</p>
C4	It was unbelievable, my full-time sales works for my competitors for commissions. Everyone thinks they work for my competitors. They are so greedy and always try to take advantages of others...I am not surprised if Chen told me they (sales) run away with my money and inventory... No, I don't have expansion plan; it's scary to leave my business to these people. They are just like their government and I can't trust them, I hate/dislike doing business with them (entrepreneur)
C5	Chen's suggestion to stay and expand in China is rational. I am making money and there is market potential...but is it worth my energy? I have sleepless nights due to worries about my Chinese business. I am worried about my sales, the government, the taxation officers, the workers...(entrepreneur)
C6	We had an offer from A (the niece of authority), he was interested in our products and controlled the distribution channel of B city...Other company also used same strategy to enter into C city...but my boss rejected because he didn't trust locals...(general manager)
C7	"The rent was extremely high in Shanghai and my sales were out of control. I can't tell you how angry I was that time. I received bad news every

	day... Yes I admit that the Shanghai office was a big mess so I shut it down reluctantly. I can fix this problem by focusing on a smaller market instead of the whole Jiangsu province. (entrepreneur)
C8	My boss feel embarrassed to exit China, it's about his face, he failed to defeat Y company and no one dare mention this in front of him now. (general manager)

Firm D Food

Quote code	Full Quotes
D1	I visited Paris 20 years ago and I tasted local dessert and bread, I was astonished by the amazing flavour and I want my family and friends to taste it too. I felt my old job (instant food industry) was so boring and I want to sell dessert. Taiwan was a traditional market and only accepts sponge cakes that time. I spent years in kitchen to develop a new recipe that Taiwanese likes... I found substitute for cream and cheese and developed a special way to preserve fresh fruit to extend expire date...I experienced some failures but now people (Taiwanese) like my products. ..It is excited that people like my cakes. I want to promote it to more people, I enjoy in seeing people eating my cake. (entrepreneur)
D2	I keep finding potential location and partners in China and expanding my business. I know this is my problem...if I am very excited about something, I am blind...I like to follow my intuition, although many of them had been proven wrong (laugh)...I think sometimes you need to be crazy to set up a venture (entrepreneur)
D3	Do you know how these people make money? They kept the price label and just changed Taiwanese dollar to RMB...they were xxx (emotional language) crazy and treated Chinese like idiots who paid 5 times more to buy the same product...H company knew the situation and ignored it...in fact H company was one of these greedy company...they took advantage on their own people and Chinese. That's why this shopping mall closed...and I felt embarrassed that this was not the only case in China. This explains why Chinese are rude to Taiwanese...because we are bad to them too... (entrepreneur)
D4	I was unhappy about the disputes with my local business partners (Shanghai and Sichuan) such as the bribery, unreasonable commission, delay payment...but after the conflicts with Company H, I feel it was nothing to complain about Chinese, even my own people tried to take advantage of us, how I can complain about Chinese. We are not better than them. This is human nature and real business world, it normal to face this kind of xxx (emotional language) things. (entrepreneur)

D5	I am always confident about my product, maybe too confident (laugh)...I mean it's upset to realize my current products was too advanced for Chinese market but it's okay...Chinese follows the trend of Taiwan, about 5-10 years difference. I still have chance, if I open a bakery and stay here, maybe I can introduce Mille Crepe again in the future” (entrepreneur) “ I mean, sometimes financial performance means little to me; I believe it's just a matter of time... If you persist and keep going, you can be successful one day...(entrepreneur)
D6	I always think what is failure...I think it could be just a process...I sold Mille-crepe 10 years ago but lost lots of money in the beginning because Taiwanese only likes sponge cake. I insisted in this product and everyone thought I was crazy. Surprisingly, 3 years ago, Mille-crepe became a super star...if I shut down my venture before, than I was failed. But I persist and survive, I succeed. I mean, sometimes financial performance means little to me; I believe it's just a matter of time... If you persist and keep going, you can be successful one day... I think the real failure is when you can't see the future, you don't believe in future, or yourself doesn't want that future...I don't think my exit is a failure (laugh), maybe 50-50...I did learn a lot from this experience, and I see new opportunity (bakery industry)... I will be back (entrepreneur)
D7	I met a friend who was the department store manager in Shanghai and accepted his invitation to open a dessert shop. I was too confident about my product and thought I could compete with French brand including Paul and Laduree there with much lower price. I didn't realize that Shanghai people buy the French dessert for the brand image and the feeling of outstanding and this is what I can't give them, I focus on wrong market. (entrepreneur)
D8	I know everyone is doing this in China; I was in instant food industry. A drop of strawberry flavorings can make a litre of strawberry juice and save 95% of total costs...Natural and high quality food does not have market here. If I add some chemical flavorings and lower the price, I can definitely find lots of customers. I know everyone is doing this (adding artificial flavorings) in Chinese market, I was in instant food industry and I was an expert of it. I know how to make the best and cheapest dessert by a list of chemical flavourings and preservations that you have never seen in your life. But this is not French dessert anymore. I want to sell real French dessert and sell good food...(entrepreneur)
D9	Yes I agree with Ming (entrepreneur of Firm E), at first I was anxious and sometime angry about the “Chinese ways of doing things”. Ming introduces me to some Chinese friends, they are very nice people and we discuss the cultural difference. ..I read Chinese history and Mao's bibliography, I also read the cultural revolution, you should read it too, and it helps you to understand why Chinese behave in this way. It explains why Chinese workers are less motivated and dishonest, they just want to protect themselves... Well there are many differences; mostly we misunderstand each other... (entrepreneur)

Firm E Fruit

Quote Code	Quote
E1	I want to do something interesting. I like to talk to customers, the consumers, and promote the product face to face. It's boring to talk through email and contracts and fight for 2% or 3 % every time...I saw opportunity of TPSM, I didn't need to pay to rent for the first six months, which meant I just need to pay the labour costs and electricity, this was the best chance for me to try something different...(entrepreneur)
E2	My father likes to talk to different people particularly Chinese who are interested in Taiwanese culture and stuffs. He invited Chinese he met on the plane and be their tour guides in Taiwan at least 5 times. One time, I went out with him to buy lots of mangos and pineapples for his new Chinese friends. He

	said they were complaining about the quality of Taiwanese mango, and he wanted to reverse their image. My father found what they ate before was fake Taiwanese mango sold by unethical retailer. The retailer changed the origin of the mango and destroyed the reputation of Taiwanese mango. I think this may be the reason he wants to open the fruit shop, and we supported him although we disagreed with his crazy expansion. But he is the boss...”(Quote E2, entrepreneur’s daughter)
E3	I felt very relaxed and happy in Firm E; it was interesting to meet so many different people. I stood on the top of a bench and explained how to select and eat Taiwanese fruit...The Nanjing people love me and my Taiwanese accents (laugh). I had 5 TV interviews, 3 newspaper reports, and 1 magazine interviews, I became the celebrity in Nanjing and everyone knows me (laugh)...It was a great fun and I feel so proud in front of my friends (entrepreneur)
E4	He enjoyed opening a fruit shop, but he didn’t think carefully before the opening 2nd and 3rd shop... The fruit shop was like a big hole, my husband kept pouring money into and nothing came out...(entrepreneur’s wife)
E5	In general, Chinese are very friendly to Taiwanese. I heard many failed stories and owners blamed on corrupted government and unethical staff. It is not right. The reason why they have chance to destroy your company is because of yourself. There people go to erotic places or treat their staff like a donkey. Of course they failed. You have to respect them, talk to them and learn from them... (entrepreneur)
E6	Those people (DPP) always talked about independence of Taiwan every day, of course Chinese government has to warn them ...most Chinese people agree that Taiwan is an independent country and they like us, so no need to be afraid or be aggressive to all Chinese people... In fact, Chinese government is nice to Taiwanese (entrepreneurs); we enjoy more benefits than other foreign ventures...”(entrepreneur)
E7	It (counterfeit financial statement) was a shock...I was angry about my accountant, but I knew this is a common thing if you didn't establish a proper accounting system in China, think about how much they earn every month and you will understand...to solve this problem, I spent a fortune to establish a proper accounting system and sent my Taiwanese accounting manager to check finance statements regularly (entrepreneur)
E8	They (competitors) sent me black mail and used price-cutting strategy, it was very annoyed but I took it as a challenge and I was going to fight back... I advertised on newspaper and local TV (entrepreneur)
E9	Well it’s true that they take bribery, and it’s not acceptable in many countries ...but this is the Chinese way and I learnt to accept it and follow it. Corruption never bother me, I am accustomed to the Chinese way of doing business. It’s a big problem for those who are not familiar with. For me, it’s like a shortcut to success. To think of it, it is much cheaper and more effective in achieving my goals. (entrepreneur)
E10	No I’m not going to sell Firm E. Everyone knows I open this store, what if those people destroy my reputation...No I won’t hire professional managers, this business is just for me and my family, it’s more like a personal investment (entrepreneur)
E11	No I am not regretting about this (set up Firm E), it’s a great fun...of course I lost a lot (money), too ambitious; I was not familiar with this industry and knew little about fruit inventory control and preservation. Although I outsourced this to a professional company but I was too busy to manage it... I have experience, equipment and network, actually I was going to invest in ice cream made by Taiwanese fruit last year, but have no one to manage the shop. It’s interesting to open a small store selling something I like (entrepreneur)

Firm F Metal

Quote Code	Quote
F1	<p>Working with government is just like working with snakes, they may bite you. But it's okay, I never expect I can keep my shares forever. There is a Taiwanese old saying, losing something means gaining something. I mean, this joint venture is more like a shortcut to make easy money, and my Nanjing factory is the proper way. I don't like easy money, thus I wouldn't feel sorry for losing it. At least we obtained some guanxi through this collaboration. For me, this problem is the same like what I had in 2005 (plant relocation). I felt a bit angry, but it's okay. Just let everything just back to normal track"</p> <p>"Working with government is just like working with snakes, they may bite you. But it's okay, I never expect I can keep my shares forever ...At least we obtained some guanxi through this collaboration. As a businessman, it's pointless to challenge Chinese government. This problem is just like what I had in 2005 (plant relocation). I felt a bit angry, but it's okay. Well, this is China, you don't want to risk your relationship with government for the sake of money. (entrepreneur)</p>
F2	<p>I solved at least 30 cases of employer and employee conflicts. Although I am a Taiwanese, I have to say we are wrong. They are lack of "Zhongyong"... Most of cases were because of the attitude of Taiwanese entrepreneurs. They were too arrogant, lack of communication and treat their staff like a machine. This (management style) worked well 20 years ago but not now. Due to the one child policy, the young generations are the precious of family; you can't imagine what Chinese parents can do for their child... Thus, the old fashion way is not working anymore, you have to respect your staff, listen to their opinions, and use rewards instead of punishments. 20 years ago, Chinese workers could worked 16 hours per day to make money, but now, if you ask your workers to take extra hours they may just quit because they want to enjoy their life. They are the boss now. Many Taiwanese don't see this change and use Army management style, that's why they experienced so many problems. You need to be considerable, humble, understanding your staff and most importantly, build up a systemic management style and be hard-working to be their mode.... (entrepreneur)</p>
F3	<p>My wife, my sons, and my grandchildren are all here, I am rooted in Nanjing... I am a Taiwanese and I love Taiwan, but Nanjing is my home, I have nowhere else to go... What would you do if you experience problems in your home town, you can't escape, and you have to solve it because this is your home. Many of my friends retreat to Taiwan or shut down their business (in China) because they have plan B. But I don't, China is my home and I must stay here. I commit so much in China and I will stay here... There are still chances in China, this is a huge market and we have advantages. You must stay determined to survive in China now, I have to say it is much difficult than before to maintain a business in China, and I am lucky because I enter much earlier than others... yes I agree with my son that there are problems, but compared to other markets like USA and Europe, China is much better. Every country has their own problems; I think Chinese government can manage it. (entrepreneur)</p>
F4	<p>I have more than 1000 employees, and this means 1000 families are rely on me. It is a heavy burden, but it is also my responsibility to ensure the operation of my firm. I am an old-fashion person, and I don't like to fire my employees for efficiency and performance, that's American way not Chinese way. Each entrepreneur should be responsible for his or her people (employees). When they enter your company, it is your job to carefully manage your</p>

	company and support their life; it is a heavy load and a long road. * I told my two sons if they want to sell my business in the future, they have to find a way to settle down these employees. They should to be appreciated because employees make the money to support their (his two sons) life (entrepreneur)
F5	I don't like China. I spent 5 years in USA and lived in UK with my wife for another 5 years. I don't like the living environment in China. But as a son, it's my responsibility to take care of my father's business since this company is just as important as his life... I wouldn't make any changes before my father leave (pass away), but I am thinking about other options... I feel stressful in China, everything is so complicated particularly interpersonal and government relationship... There were too many problems in China, such as the huge debt of local government, estate bubble, the political system; these will cause a huge problem, maybe another financial crisis in the future. ...I respect my father that he can learn from Chinese institution and used to it. But I can't. I may sell the business in the future, but who knows, the plan will never catch up with changes. (Entrepreneur's son, Sam)

Firm G Construction

Quote Code	Quote
G1	My best advantage to survive in China is I am not stubborn. I am very flexible and open to any suggestions. I heard too many stories in China, including European investors. These people, including some Taiwanese, are too civilised, too stubborn and live in their own world. They lock themselves in 5 star hotels and eating KFC every day, how can they understand China and manage Chinese? China is not a country that you can follow the rules. For example, my staff takes commissions from suppliers. It sounds unacceptable and bad for company development. I know it and I pretend I don't know. In China, you need to close one eye sometimes. Don't be so quibble, what's the point to argue with your staff for taking commissions from a bulb even all bulbs in the factory. Taking commission makes them become more responsible about quality because they want to make it long-term. You just need to control the large spending, others can let it go. 3~5 % of total spending is a reasonable range if this makes my staff happier and work harder (entrepreneur)
G2	I can do business everywhere; I can go back to Taiwan stay in Firm C or create my business. I can go to Vietnam with my friends. I can go to Thailand. My customers invite me to be the consultant. But I just want to stay in Nanjing because my family is here. My baby is just 2 years old and I want to participate his childhood. I don't have high expectation for my life. I only need a house, a car, a dog and enough money to support my family. I don't have much ambition and don't need much money. I only hope my family can be happy and healthy every day, that's it. (entrepreneur)
G3	China is a very unique market; they have been isolated for years that create a very different consumption style. For example, when my boss (Firm C) entered into China, we said we are going to sell PU because it is the best anti-leak paint, advanced and cheap. PU is our golden hen (best-selling product) in Taiwan. Jiangsu rains a lot and has serious leaking problems; we thought we could successfully enter into market... But we were wrong, in terms of product and pricing strategy. First, Chinese painters were used to another traditional material called Curve (paint), which was old fashion and no one used it anymore. We couldn't persuade painters to use PU because they were connected to Curve suppliers and used to Curve. Second, our pricing is wrong. The original strategy was 500 RMB per unit and gave 100 RMB to distributor, but this one didn't work. We had to increase the price to 700 RMB per unit and gave 300RMB to distributor, thus they were motivated to promote your products... Innovative and good products are not necessary work in China. The most important thing is how you share the profit with distributors and how you promote. Promoting a product is not by imagination and it is unpredictable. You have to learn carefully and use a humble attitude to learn from locals. We are different and you need to show your respects. This is

why many large foreign companies visit me for market information and collaboration. I know how to modify the product to Chinese style and how to communicate with Chinese distributors.” (Empathy, Entrepreneur, Firm G (Ex general manger of Firm C)

Appendix C-2: Critical incident tables

Critical incidents of Firm A, Brush

Code	Year	What happened	How the entrepreneur feel	Actions	Entrepreneur or other people’s description	Code (Variables) and others
CA1	2001	Company expansion	Passion, confidence	International entry, set up Danyang factory	<p>I had 6 brothers and 1 sister and only my father made money, thus I was very poor when I was young. I worked 12 hours per day in construction site to pay for my tuition fees. My first job was a sale, and I worked from 6:00 am until 10 pm to visit customers and 24 hours on call...I set up this business because I want to prove if you are hardworking enough, you can be successful...My family deserve a better life.</p> <p>I want to dominant Taiwanese market so I must do the vertical integration, to control the quality, reduce and costs and protect my designs... Many people thought I was crazy to invest in China, but I knew I was right...Government incentives, the land is very cheap and they even recruit workers for you. The labour costs was just half or less than Taiwan and I can find all material in China such as bristle, timber...I have everything I need in China, manufacturing in Taiwan is out of date (20 years ago).</p> <p>Entrepreneur Brush is a visionary entrepreneur. He predicted China would be the next star 20 years ago so he entered into China. He is a workaholic and very confident about his investment. He invited my boss to join him but he hesitated. Entrepreneur Brush entered into China in the best time. (Entrepreneurs’ friend)</p> <p>Note: Confidence and passion are interviewed.</p>	<p>Personal goals</p> <p>Family</p> <p>A1: increased commitment</p>

CA 2	2007	Vertical integration	Passion, confidence	Establish Anhui factory (timber factory)	Brush factory is just my first step; I want to control the timber too. By doing so, no one can compete with me in this market. To build my brush kingdom, I need to have control of my critical components... being a survivor is not enough; I like to be the champion.	A1: increased commitment Personal goals
CA 3	2008	The implementation of labour insurance policy	Fear	No immediate actions, but connected with international exit	There are too many hidden costs in China...in addition to corruption, gifting, and facilitation fees, you also need to DONATE to local education system, residential welfare. There are many unspoken rules here and only insiders know how to deal with it. For example, you need to bribe the distributor to display the product, but how, who, when, what to bribe is a technique. You can't survive in China without knowing all these (unspoken rules.) Now the government wants to increase GDP, they ask you to pay labour insurance. The western policy is the same, they increase local tax in first line cities then you have to move to western China. If you don't want, you need to "discuss" with the government again. You have no voice in this country. Every year I have to pay at least 20% more wage to my workers, this is very scared. We cannot afford this, and this is why you need to "discuss" with government.	A2: no changes → A5 Formal institutions and informal institutions
CA 4	2009	Disputes with Anhui government and staff injuries and accidents: 5 hand cut accidents. 2 injuries, Cultural conflicts, black mail and threats. Protests and riots	Fear, Anger Disgust (dominant emotion)	Shut down Anhui	I was horrible; there were 5 hand-cut accidents and 2 injuries. I was very scared to pick up a phone call from China. Sometimes I woke up in the night and thought someone lost his hand in my factory again... it's enough, Anhui was not ready for production and foreign ventures...I was sick of hearing any hand-cut accidents, these people never followed the rules. It was irritable that no one helps us to solve the riots. Anhui Government said it was our "internal problem" and refused to talk to us. These people asked for unreasonable compensation. ...no no it was pointless to talk to them. They wouldn't do this without Anhui Government's permission. I used my guanxi in Danyang to find out who is in charge, and talked to his supervisor. Note: Although Entrepreneur Brush express fear and anger in this critical incident, he agreed that he shut down Anhui for his disgust/fear t of hand cut accidents.	A3: decreased commitment Informal institutions
CA 5	2010	The increasing hidden costs due to the China	Fear	No immediate actions, but connected	See CA3	A2: no changes → A5 Formal and informal

		Western development policy		with international exit		institutions
CA 6	201 1	Rising costs in Danyang and the need to expand production capability	Confidence, passion, empathy	Communicate with Anhui Government for several times and achieve mutual understanding Restart Anhui factory (brush factory)	<p>This time I am going to set up a brush company; this is what I am familiar and good at. I want to use Danyang as R&D centre and Anhui as production centre. And next step is entering European market, using my low costs products.</p> <p>It's not a problem now, I build a good relationship with Anhui government and we are good friends. It was misunderstanding. I talked to someone and understood why government permitted the riots. Bao's attitude offended the local government and those injured workers; she was too aggressive and hurt the "face"...I showed my respect and we are okay now. It was our fault and they just did their jobs. ...no no in general they (local government) are good, they are nice to Taiwanese entrepreneurs. I need to spend time and efforts to build guanxi with them, but this guanxi is very useful...I know many entrepreneurs complain about the corruption and guanxi, but its improving now. They are friendly if you know how to talk to them.</p> <p>Note: Confidence, passion and empathy are interviewed. Confidence and passion drive the expansion plan, and empathy allow entrepreneur restart Anhui (as his expansion plan). Empathy allowed him to communicate with Anhui Government to achieve mutual understanding thus he is capable and willing to restart Anhui.</p>	<p>A1: increased commitment A4: learning and adaptation</p> <p>Personal goals</p> <p>Positive predispositions</p> <p>Informal institution</p>
CA 7	201 2	Acquisition offer from largest Paint brush manufacturer	Confidence, passion	Reject	<p>If I am for my own good or for my business's own good, I should sell my company to American (largest paint brush manufacturer), they gave me really good offer and I could be part of them...but what I am going to give my children and how about my staff? I have to be responsible although it's not easy...</p> <p>Yes I felt exited when I heard it. It means my company is an emerging star. I am their competitor instead of suppliers now.</p> <p>Note: Confidence and passion are interviewed.</p>	<p>A2: no changes Family Personal goal</p>
CA 8	201 2 Mar	Dispute with general manger (Bao) about	Confidence	Bao resigned and hired new GM (Wu)	<p>I have no choice...I have to choose between her or my children's future, besides, her management style was not suitable anymore, workers hated dictatorship and need some respects... I have to ensure the control of my</p>	<p>A4: adaptation Family Turning point</p>

		company shares, company shares of resignation			company, I am not giving anyone my company shares, this company can survive without Bao. I can make some changes and make it better.	
CA 10	201 3 Jan	New GM resigned (Wu) due to the disputes with Bao (ex GM)	Anger, confiden ce	Entrepreneur be the GM in Danyang and Anhui, transfer Taiwanese management system	<p>My company can survive without Bao. I establish it 15 years ago and of course I know how to manage it. (entrepreneur)</p> <p>My boss usually announces a new policy after shouting with Bao, particularly when Wu (second GM) quit the company and Bao told him no one can manage the company except her...my boss slapped the door and told her he will do it (Manager)</p> <p>My husband is too optimistic I can't remember how much he loss by being optimistic...Me and his staff warned him about Bao but he never listens. He thought we were biased and narrow-minded. He always says everything works well ...no he wouldn't change this character (being confident and optimistic), this is just his style (entrepreneurs' wife)</p> <p>Note: confidence and anger are interviewed. Driven by anger to make the change and confidence about his capability to manage the strategic changes.</p>	A4: adaptation
CA 11	201 3 Apr	Sent a Taiwanese staff, discovered the unethical behaviours of purchasing manager (taking commission)	Anger, empathy (dominan t emotion),	Understand the reason behind the unethical behaviours, investment in IT system	<p>Being a boss, you have to close your eye sometimes particularly in China...Commission is a common issue in China, although she (purchasing manager) is a bit greedy...of course I was angry but I kind of understand. The traditional Chinese management style is everything unclear and no one wants to take responsibility. They follow orders instead of regulations. There is a reason for it...I think it's time to change. My staff is used to my management style and Taiwanese system, thus I want to incrementally make some changes... don't judge them by your moral standard...You should rely on a proper management system but not the morality of staff. I will build a good system and everything will be fine...I know it is painful for them, but I learned many things can be avoided if you have good management system.... (entrepreneur)</p> <p>You should blame on yourself before blaming on others, and treat other people as you would yourself. By thinking in this way, you can win the loyalty and respects from your staff and learn how to operate in China</p>	A4: learning and adaptation Positive predispositions

					Note: Although he experienced anger initially, empathy allows him to learn, understand, and adapt to local culture and anger kind of encourage him to do something (learn).	
CA 12	201 2~ 201 3	Tensions and conflict with Bao, several times, including threats, argument (in email), interrupt the meeting, reduce production capability...	Fear, anger, disgust, empathy	Entrepreneur become the GM to ensure family control, sends a Taiwanese team to monitor and build up new system (information protection and HR). Long conversations with Bao	<p>It was horrible and scary, I received phone calls every 2 hours with a crying woman (his staff) or outrage (Bao) woman on the phone, it drove me crazy... Bao tried to destroy these kids (Chinese management team) because of their betrayal, no one follow her and everyone support her resignation. I have to send a Taiwanese team to manage this crisis and stay there every day... most importantly, I need to protect the customer information and ensure daily operation, Bao knows the factory and she wants to destroy it, it was a nightmare...</p> <p>I know she (Bao) is hard to accept this, managing factory for 20 years and no one speaks for her when she quit... she commits a lot, almost the best time of her life, she is emotional attached with the company and must feel upset and angry ... I know why she wants some company shares but I can't give her... its awful to fight with someone you closely work with, I don't want to do this... the only thing I can do is to sell Danyang and share (the money) with her)</p> <p>Note: The four emotions were intertwined, but empathy drove him to communicate with Bao. Anger and fear drove him to build a new system (since Bao may took the customer secrets). In the end, he was disgusted by these events (it was a nightmare) and tried to escape.</p>	<p>A4: learning and adaptation</p> <p>Family</p> <p>Aversion to conflicts with Bao</p>
CA 13	201 3 July	Entrepreneur achieved second agreement with Bao, sold Danyang within 5 years	Disgust, empathy	Relocate business to other country to ensure family control, achieve consensus with Bao and accept her	<p>I have no vacations and no personal life in the past 20 years, I fully committed to my business and my wife and children had to come to my factory to help in the weekend, we spent all our leisure time in this company... this is how I create and maintain my venture... shutting down Danyang is a sad decision, but it is a necessary step to protect and continue my business. I know Bao and I don't think my children and handle her in the future. We commit so much in this, I can't take any risks (of losing family control)... although I feel sorry for her, I must do it. I just want to end this asap</p>	<p>A3, but result in A5</p> <p>Family</p> <p>Aversion to conflicts with Bao</p>

				offer. Agree to sell Danyang and pay more compensation	Note: Disgust and empathy are interviewed. He shows empathy but he can't solve the problem (by giving her shares). He was disgusted by this endless conflict	
CA 14	2013 Sep	Give up Burma and Indonesia project due to institutions, cultural conflicts, and staff's willingness. Move to Vietnam	Confidence and passion	Exit China and relocate to Vietnam	My Chinese factory is a success, it helps me dominate Taiwanese market and expand to international market. Now mission is complete and I want to create a more sustainable business for my children...instead of letting my children to deal with Bao and the sophisticated guanxi, I prefer to relocate to Vietnam and let my children participate from the beginning...of course its exhausted to rebuild a factory in a new country, but I can do it, just like 20 years ago... (laugh) I know my wife is anxious, but I know what I am doing...she is too pessimistic... I am excited about this; I know this is my best chance to dominate the global brush market. The production cost in Vietnam is really low, and I can use Vietnam as the production base and set up Marketing and assembling factory in European country... Vietnam is the future, at least for next 20 years"	A5: international exit Family Aversion to conflicts with Bao Personal goal

Critical incidents of Firm B, Machine

Code	Year	What happened	How the entrepreneur feel	Action	Entrepreneur or other people's description	Code (Variables) and others
CB1	1992	Entered into Nanjing, China for production	Confidence, passion	International entry, Nanjing factory	Like I said, I was young and wanted to have a try, I wanted to produce my designs. At first I tried to set up a factory in Taiwan but soon gave up. I couldn't find proper location and the labour cost was high. So I just went to China. Yes of course family was one of my reasons. You always want to do something for your family. Make more money, buy a bigger house, send children study abroad.... (entrepreneur)	A1: entry Personal goal Family
CB2	1996	Entered into Chinese market	Confidence, passion	Locate Marketing office in Nanjing	My design has best CP (cost/performance) value in the industry...I never worry about the increasing cost and competition. I strongly believe that technology and innovation can compensate the negatives (entrepreneur)	A1: expansion Personal goal
CB3	1997	Similar design in market (considering unethical staff)	Anger, fear	Strictly control the access to product design, double R&D budget	My competitors keep stealing my new design. I am so furious that I doubled my R&D budget to speed up the innovation process. These dirty players will never catch up with me This country has no intellectual property rights. Chinese Government encourages their people to imitate foreign company's intellectual assets. I can see fake iPhone, fake Nike fake Google, everything is fake here. Chinese people think it's not a big deal to steal other people's design. It's scary to set up R&D office here; my competitors may have my new design even before I introduce it. (entrepreneur)	A4: adaptation Formal and informal institutions Management problems Negative predispositions
CB4	2000	Moved to USA for family reasons for 3 years	Confidence Relax	Open USA R&D office	I had some school friends in USA; they were researchers in the university. I collaborated with their team and we developed a new machine, it saved at least 20% of energy. It was a superstar. I love my work and commit much of my time in, I was just like a working machine...In USA, I found there were something interesting...I visited Metropolitan Museum of Art every weekend and walked in the Brooklyn Bridge...I found life can be so peaceful and easy...(entrepreneur) Note: entrepreneur felt comfortable in USA, which	A1: expansion (in USA) Family Personal goal Strategic fit

CB5	2002	SARS in China, locked in the hotel	Fear	x	I know the truth and I know that SARS was very serious, but Chinese government manipulate the media and rewrite the story...there was no freedom of speech, at least not in the public, the government can do anything and pretend nothing happen, the worst part is, most Chinese believes in their government and there is no objection...I am worried about the disease and SARS, and I am scared of this kind of power (entrepreneur)	A2: doing nothing Institutions Negative predispositions Aversion to Chinese institutions and environment Turning point
CB6	2003	Want to reduce the stay in China due to living environment, air pollution, food, institutional problems	Fear, Disgust (but still have children to feed)	Downsize (5 production line production lines)	I am driven by responsibility instead of passion now, I have to feed my family and my workers have to support their families too...I hired local managers to help me...but they still disappointed me sometimes, I think I will never use to the Chinese way of doing things “All my friends warned me about the production efficiency ...my neighbour (the owner of nearby factory) told me my staff finish early everyday ... but I am happy with the performance now; there is a room to improve but I rather stay in Taiwan. Its pointless sacrifice your happiness for money (entrepreneur) Note: Entrepreneur Machine felt uncomfortable in China, but he still had family to support (daughter in USA). Family needs drove him to stay in China until 2010.	A3: divestment Institutions Negative predispositions Aversion to Chinese institutions and environment Personal goal
CB7	2005	Unethical behaviour of staff (hacked customer lists for profit)	Fear, disgust	Shut down Nanjing office	See CB11	A3: divestment Institutions (culture) Management problems Negative predispositions Aversion to Chinese staffs
CB8	2008	Similar design appears in the market again	Fear (about staff)	x	See CB3	A2: nothing change Institutions Negative predispositions Aversion to Chinese staffs

CB9	2012	<p>Aversion to China and daughter (successor) refused to run Firm B in China.</p> <p>Shut down within 3 years</p>	<p>Disgust (for aversion) Relief and relax (after exit)</p>	<p>Become a trader instead of manufacturer</p>	<p>I make a profit by selling my land and property since I was first mover and land was cheap 20 years ago. But in long-term, shutting down my China factory means the end of my all business within 10 years. Most companies want to deal with factory instead of trader now, it is very difficult to survive without the factory now but we don't want the factory anymore. This is my daughter's choice and she should be responsible for what she decides. She wants to be an artist and move to USA in the future. I am old and I am so sick of working in China, I want to enjoy my life and maybe travel around the work with my wife. I feel so relieved when leaving China" (entrepreneur)</p> <p>For me, making money is not my first priority anymore. For example, if you are very hungry, you need to do your best to fight for the food. But if you are not hungry, why you need to sacrifice everything for food? I don't need many zeros in my bank accounts. I just need enough money to support my life. I find there are something more interesting, I missed my life in USA, I visit Metropolitan Museum of Art every weekend and have a walk with my wife in the Brooklyn Bridge ... my daughter is young and she should have a try in China, but she rejected... it is time to shut down the factory, it's not worthy to sacrifice my life for money (entrepreneur)</p> <p>He was a strange person, most entrepreneurs want to expand their business to make more money, and he told me he had enough for rest of his life...He shut down Chinese facility, this was absolutely insane, it was a suicide mission because professional buyers prefer to buy machines from a factory not a trader (Lee, entrepreneur's business partner).</p>	<p>A5: international exit Family Personal goal Negative predispositions Aversion to Chinese institutions and environment and staffs</p>
CB10	2005 until now	Employee-employer conflicts.	Anger, disgust, sympathy (know the reasons behind but cannot adapt and accept)	Hire local managers, avoid direct contacts with workers, strongly connected with international exit	<p>See CB6 CB11 Note: Entrepreneur blame employee-employer conflict on Chinese informal institutions (culture) Note: Although entrepreneur hire local managers, the main purpose is to avoid further contact with locals and he isolated himself from other Chinese. "Most time I stay in the dorm room, I don't know how to talk to them and don't want to" Thus, his action is not considered to be</p>	<p>A4: Adaptation Management problems Informal institutions Negative predispositions Aversion to Chinese</p>

					learning, it merely an adaptation. It was more like avoidance strategy. Entrepreneur perceived this as informal institutional problems that Chinese workers are greedy and money orientated.	staffs
CB11	1992 until now	Political tension between Taiwan and China, media control and lack of freedom of speech, lack of intellectual property right	Anger and fear→ fear and disgust sympathy (know the reasons behind but cannot adapt and accept)	Downsize (2002), reduce the time stay in China, move R&D to Taiwan and USA, strongly connected with international exit	I tried but I found I was in vulnerable position. This is a trend and I can't change it (entrepreneur) When I first enter into China, Chinese government was more humble and always tries to help. Although they asked for bribery, they knew it was unethical and felt embarrassed. Now they think it is your job to bribe them and they accept only high value and trendy products, I remembered I gave a laptop to them (government office); they returned it and said they want latest apple products... I usually give higher pay to my staff to ensure their loyalty, but they still steal my design and sell to my competitor to make extra money, I can't remember how many times my workers steal critical components and parts to sell to my competitors for profit. Chinese people have become money-orientated, they neglect traditional virtues, moral, and ethics... Yes I understand this is inevitable and in a transition economy, and I know they just want to have a better life. But it's hard to accept this. I want to believe in "human goodness by nature"* but they just disappointed me. They can do anything to be rich. I can't work with this kind of people (entrepreneur) *Confucianism, believe in people are born good	A3, A5 Formal institutions (political tension and system) Negative predispositions
CB12	1992 until now	Poor food safety and unhygienic food	Fear, disgust	No immediate action, but strongly connected with international exit	Their food is unhygienic even poisonous, their people never follow the rules, arguing and shouting everyday... I don't trust their food, you know I have to bring my own food to China... I bring my own magazine and books... no I don't have social activities, I stay in my dorm room after work, I don't know how to talk to Chinese... this is not the life I want (entrepreneur)	A2, A5, Aversion to Chinese institutions and environment Negative predispositions Personal goal
CB13	Several times	Invitation from foreign investors to set up a joint ventures	Fear (of further commitment) Exhausted	Reject	My Italian friend invited me to open a business selling gelato, gelato ingredients and equipment in China, I know there was a market and very possible to succeed... but I was exhausted and don't want run more business in China (entrepreneur) If Entrepreneur Machine expands his factory, he could be the market	A2: nothing change Negative predispositions Aversion to Chinese institutions and environment and

					leader in China, even in the global market. He was too risk-adverse. I tried to persuade him to enter Sichuan with me but he rejected. He rather be my consultant and gave me his secret recipe...yes he told me about his Italian friends, although I did not understand why he was scared of China, but I knew he felt unhappy here (entrepreneur's friend)	staffs
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Critical incident of Firm C, Paint

Code	Year	What happened	How the entrepreneur feel	Action	Entrepreneur or other people's description	Code (Variables) and others
CC1	2005	Market expansion	Confidence	Set up a factory and sales office in China, focus on Great Jiangsu market	My boss is afraid of losing face...after all, he is a successful and rich entrepreneur in Taiwan, and everyone will make fun on him if he exits China within 3 years...besides, Y (their main competitor) is successful in China and my boss doesn't want to surrender, he always said if Y can do it, so can I	A1: entry Personal goal Emotional Gain (face)
CC2	2006	Market expansion	Confidence	Set up second Sales office in Shanghai, entered into Shanghai market	Entrepreneur Paint was confident to enter into China since he identified the lack of medium-price products in China (CC1). He indicated high-end products such as Dulux and low- end products like local brands dominated China. There was a shortage for the middle range, which was his cash cow in Taiwan. Additionally, his competitor, Y entered in 1995 and achieved great success. These all increase his confidence in Chinese operation.	A1: increase commitment Personal goal Emotional gain (face)
CC3	2006	Unique local regulations of paint transportation	Anger	Change strategy, invested in transportation and follow local rules	We need to buy a special van to ship paints and apply for licenses for safety reasons. We don't have this problem in Taiwan...no no no I mean buying the van is okay, it's their regulation, we talked to two sales, one is local company and the other one is a national brand. We want	A4: learning and adaptation Institutions

					to buy the can from the big company but the sale of the local company told me he can get me the license in 1 week. In general it takes 3 months...	
CC4	2006	Protectionism of local market	Anger	Negotiate with distributors	See CG3	A4: learning and adaptation Institutions
CC5	2008	Unethical sales and unmet performance	Anger	Shut down Shanghai office and focus on smaller market, less than 300 km diameter	“The rent was extremely high in Shanghai and my sales were out of control. I can’t tell you how angry I was that time. I received bad news every day...Yes I admit that the Shanghai office was a big mess so I shut it down reluctantly. I can fix this problem by focusing on a smaller market instead of the whole Jiangsu province.” (Quote Firm C, Entrepreneur)	A3: divestment Informal institutions (culture) Negative predispositions Aversion of Chinese sales Turning point
CC6	2011	Entrepreneur need cash in his new businesses (construction business in Taiwan), his aversion to Chinese Government and institutions	Disgust (China)	Exit China	“ Entering China is a big mistake. It’s a waste of money and time. You can make money from many businesses, like my construction business, I am building villa in Taiwan and its very interesting. . It was so unpleasant to run a business in China, I can’t do it anymore ... Chinese government ask for money, my sales steal money, my suppliers always delay, my customer never pay on time, people is the biggest problem when investing in China. I rather make money in other ways”(Entrepreneur) Firm C is doing well in China; we finally entered into the market and are making profit now... We should not have exited China. But this is my boss’s choice, he likes construction and hates China (General Manager) “My boss feel embarrassed to exit China, it’s about his face, he failed to defeat Y company and no one dare mention this in front of him now.”(Manager)	A5: international exit Personal goal Negative predispositions Aversion of Chinese sales, environment, and Formal and informal institutions

CC7	2005 until now	Formal institutions and Evil Chinese government	Fear, anger->disgust	Rejected Chen's proposal to expand the market in 2009 and result in exit decision	<p>"My boss doesn't like Chinese government, so whatever happen, he blames on the government, which makes things worse" (General manager)</p> <p>"Yes I never like Chinese. They take advantage on Taiwanese, you heard what they called us, Taiwan, the province of China...Also, I heard too many stories about how Chinese steal the company design, money even the ownership. Chinese people are just like their government"(Entrepreneur)</p> <p>Chinese government ask for money, my sales steal money, my suppliers always delay, my customer never pay on time, people is the biggest problem when investing in China. I rather make money in other ways (Entrepreneur)</p> <p>"We all know he wouldn't stay long in China, he is green party (Taiwan independence supporter). Usually they can't survive in China or never go to China. They hate China and always think pessimistically, how can they succeed in China?" (Entrepreneur Paint's business partner)</p>	A2->A5 Institutions Negative predispositions (Aversion) to China
CC8	2005 until now	Rising costs, rents and salaries, Delayed payment, bad debt, price competition	Fear	X	See CC5	A2: doing nothing
CC10	2005 until now	Unethical behaviour of staff, including taking commission, steal company products, be the sales for other companies	Anger (early stage)-> fear (after Shanghai)->disgust (late stage)	Downsize, focus on smaller market->reject expansion plan-> Strongly associated with international exit	"It was unbelievable, my full-time sales works for my competitors for commissions. Everyone thinks they work for my competitors. They are so greedy and always try to take advantages of others...I am not surprised if Chen told me they (sales) run away with my money and inventory... No, I don't have expansion plan; it's scary to leave my business to these people. They are just like	A3->A5 Institutions Aversion to Chinese staffs Negative predispositions

					their government and I can't trust them, I hate/dislike doing business with them". Note: entrepreneur considered this is a general informal institutional problem	
CC1 1	Sever al times	Invitation from local distributors and authority for business collaboration	Fear	Reject	"We had an offer from A (the niece of authority), he was interested in our products and controlled the distribution channel of B city...Other company also used same strategy to enter into C city...but my boss rejected because he didn't trust locals..."	A2: nothing change Negative predispositions Aversion of Chinese people

Critical incidents of Firm D, Food

Code	Year	What happened	How the entrepreneur feel	Action	Entrepreneur or other people's description	Code (Variables) and others
CD1	2009	Market Expansion	Confidence, Passion	International entry, Nanjing store	I visited Paris 20 years ago and I tasted local dessert and bread, I was astonished by the amazing flavour and I want my family and friends to taste it too. I felt my old job (instant food industry) was so boring and I want to sell dessert. Taiwan was a traditional market and only accepts sponge cakes that time. I spent years in kitchen to develop a new recipe that Taiwanese likes... I found substitute for cream and cheese and developed a special way to preserve fresh fruit to extend expire date...I experienced some failures but now people (Taiwanese) like my products. ...It is excited that people like my cakes. I want to promote it to more people, I enjoy in seeing people eating my cake (entrepreneur)	A1: entry Personal goal
CD2	2009	Rising sales revenue	Confidence, Passion	Store expansion, new product line added	I keep finding potential location and partners in China. I've been to Sichuan, Shanghai, Beijing...except those stores, I also worked with Taobao and opened an online shop...I saw attended many exhibitions and saw lots of opportunities. I know this is my problem...if I am very excited about something, I am blind... I think sometimes you need to be crazy to set up a venture...(entrepreneur)	A1: expansion, Personal goal
CD3	2010	Market Expansion	Confidence, Passion	Entered into Sichuan with local partner	See CD1+CD2	A1: expansion, Personal goal

CD4	2011	Market Expansion	Confidence, Passion	Entered into department store in Shanghai, new product line added	See CD1+CD2 I met a friend who was the department store manager in Shanghai and accepted his invitation to open a dessert shop. I was too confident about my product and thought I could compete with French brand including Paul and Laduree there with much lower price. I didn't realize that Shanghai people buy the French dessert for the brand image and the feeling of outstanding and this is what I can't give them, I focus on wrong market (entrepreneur) Note: entrepreneur described his Shanghai business. He agreed he was too confident about his product (according to his experience in Taiwan) thus did not actually investigate why Shanghai people buy French dessert (entrepreneur)	A1: expansion, Personal goal
CD5	2011	Disputes with landlords in Nanjing	Anger	Relocate to Nanjing department store	Do you know how these people make money? They kept the price label and just changed Taiwanese dollar to RMB...they were xxx (emotional language) crazy and treated Chinese like idiots who paid 5 times more to buy the same product...H company knew the situation and ignored it...in fact H company was one of these greedy company...they took advantage on their own people and Chinese. That's why this shopping mall closed...and I felt embarrassed that this was not the only case in China. This explains why Chinese are rude to Taiwanese...because we are bad to them too... ” (Quote D3, entrepreneur)	A4: learning and adaptation
CD6	2012	Employee-Employer conflicts	Anger, empathy	Consult experienced friends	Yes I agree with Entrepreneur Fruit, at first I was anxious and sometime angry about the “Chinese ways of doing things”. Entrepreneur Fruit introduces me to some Chinese friends, they are very nice people and we discuss the cultural difference. ..I read Chinese history and Mao's bibliography, I also read the cultural revolution, you should read it too, and it helps you to understand why Chinese behave in this way. It explains why Chinese workers are less motivated and dishonest, they just want to protect themselves... Well there are many differences; mostly we misunderstand each other...	A4: learning and adaptation Positive predispositions
CD7	2013	Looking for new opportunities	Passion, confidence	Visit successful bakery company in	“Natural and high quality food does not have market here. If I add some chemical flavouring and lower the price, I can definitely find lots customers. I know everyone is doing this (adding artificial flavouring) in Chinese market, I was in instant food industry ... But this is not French	A1: opportunity identification Personal goals Turning points

				Hangzhou	<p>dessert anymore. I want to sell real French dessert and sell good food...” (Entrepreneur)</p> <p>“I am always confident about my product, maybe too confident (laugh)...I mean it’s upset to realize my current products was too advanced for Chinese market but it’s okay...Chinese follows the trend of Taiwan, about 5-10 years difference. I still have chance, if I open a bakery and stay here, maybe I can introduce Mille Crepe again in the future ” (Entrepreneur)</p> <p>“I plan to open bakery chains in China. I see opportunities.... I am very excited....” (Entrepreneur)</p> <p>“My husband is very confident and optimistic about his investment, although he doesn’t make any money. He spent more than 20 years in cake and pastry. I know he is looking another chance to prove himself...”(Entrepreneurs’ wife)</p>	
CD8	2013	Unmet performance, wrong product, the pursuit of quality and new goals	Grief Hope	Shut down Shanghai, Nanjing, and terminated Sichuan contract	<p>See CD4</p> <p>I always think what is failure...I think it could be just a process...I sold Mille-crepe 10 years ago but lost lots of money in the beginning because Taiwanese only likes sponge cake. I insisted in this product and everyone thought I was crazy. Surprisingly, 3 years ago, Mille-crepe became a super star...if I shut down my venture before, than I was failed. But I persist and survive, I succeed. I mean, sometimes financial performance means little to me; I believe it’s just a matter of time... If you persist and keep going, you can be successful one day... I think the real failure is when you can’t see the future, you don’t believe in future, or yourself doesn’t want that future...I don’t think my exit is a failure (laugh), maybe 50-50...I did learn a lot from this experience, and I see new opportunity (bakery industry)... I will be back (Entrepreneur)</p>	<p>A5: international exit</p> <p>Shift of personal goal</p>
CD9	2009 until now	Informal institutions: Cultural conflicts, Employee-	Anger and fear→ empathy	Consult the chairman of Taiwanese businessman association,	<p>I was unhappy about the disputes with my local business partners (Shanghai and Sichuan) such as the bribery, unreasonable commission, delay payment...but after the conflicts with Company H, I feel it was nothing to complain about Chinese, even my own people tried to take</p>	<p>A4: learning and adaptation</p> <p>Institutions</p> <p>Neutral-> Positive predispositions</p>

		Employer conflicts, unspoken rules, and corruption		professionals and read Chinese history books and relevant reports	advantage of us, how I can complain about Chinese. We are not better than them. (Entrepreneur)	Turning point, company H incident (predispositions)
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Critical incident of Firm E, Fruit

Code	Year	What happened	How the entrepreneur feel	Action	Entrepreneur or other people's description	Code (Variables)
CE1	2009	Nanjing government incentives and a wish to open a fruit shop to help Taiwanese farmers, want to develop other types of business for daughters (food industry)	Confidence, Passion	International entry, Nanjing store	<p>I want to do something interesting. I like to talk to customers, the consumers, and promote the product face to face. It's boring to talk through email and contracts and fight for 2% or 3 % every time...I saw opportunity of TPSM, I didn't need to pay to rent for the first six months, which meant I just need to pay the labour cost and electricity, this was the best chance for me to try something different... (entrepreneur)</p> <p>“My father likes to talk to different people particularly Chinese who are interested in Taiwanese culture and stuffs. He invited Chinese he met on the plane and be their tour guides in Taiwan at least 5 times. One time, I went out with him to buy lots of mangos and pineapples for his new Chinese friends. He said they were complaining about the quality of Taiwanese mango, and he wanted to reverse their image. My father found what they ate before was fake Taiwanese mango sold by unethical retailer. The retailer changed the origin of the</p>	A1: Entry Personal goal Family Organizational/personal resources Positive predispositions (see Quote E6)

					<p>mango and destroyed the reputation of Taiwanese mango. I think this may be the reason he want to open the fruit shop, and we supported him although we disagreed with his crazy expansion. But he is the boss...”(Quote E2, entrepreneurs’ daughter)</p> <p>“Those people (DPP) always talked about independence of Taiwan, of course Chinese government has to warn them ...most Chinese people agree that Taiwan is an independent country and they like us, so no need to be afraid or be aggressive to all Chinese people... In fact, Chinese government is nice to Taiwanese (entrepreneurs); we enjoy more benefits than other foreign ventures... ” (entrepreneur)</p>	
CE2	2009	Black mails	Anger, Empathy	Modified the price	I sold my fruit lower than the market price and they lost customers...It happened before, when I first entered into China I made lots of mistakes and receive black mails regularly...no I was not afraid, nothing to be afraid, they were just saying. I felt angry but it was true that my price was much lower than market price. I sold fruits for fun but they were not. They were doing business...Like I said, China had many unspoken rules and you just need to learn and follow (see CE9) (entrepreneur)	A4: learning and adaptation
CE3	2010	Rising sales revenue, government support and invitation from Nanjing department store	Confidence, Passion	Second Store in Nanjing	I felt very relaxed and happy in Firm E; it was interesting to meet so many different people. I stood on the top of a bench and explained how to select and eat Taiwanese fruit...The Nanjing people love me and my Taiwanese accents (laugh). I had 5 TV interviews, 3 newspaper reports, and 1 magazine interviews, I became the celebrity in Nanjing and everyone knows me (laugh)...It was a great fun and I feel so proud in front of my friends (entrepreneur). Yes I felt confident that time, well I saw lots of opportunities and my store was crowded with customers that time. I had a brand and I had resources, I believed I could be successful (entrepreneur).	A1: expansion Personal goals Emotional gain (face)
CE4	2010	Unethical staff	Anger, Empathy	Improve the accounting system	“It (counterfeit financial statement) was a shock...I was angry with my accountant, but I knew this is a common thing if you didn't establish a proper accounting system in China, she only earned 3,000 yuan per month and it was normal that she was lured to do this,	A4: learning and adaptation Management problems

					particularly when she knew I seldom checked the financial statement ...to solve this problem, I spent a fortune to establish a proper accounting system and sent another accountant to check financial statements regularly” (entrepreneur)	
CE5	2011	Invitation from other Nanjing store	Confidence, Passion	Fresh fruit juice counter	See CE3 “He enjoyed opening a fruit shop, but he didn’t think carefully before the opening 2nd and 3rd shop... The fruit shop was like a big hole, my husband kept pouring money into and nothing came out...” (entrepreneurs’ wife)	A1: expansion Emotional gain (face) Too optimistic
CE6	2011	Disputes with landlords in Nanjing	Anger	Shut down 1st Nanjing store	I have nothing to say about this, Entrepreneur Food explained everything, (see CD5). It was ridiculous...(entrepreneur)	A3: divestment
CE7	2012	Poor inventory control	Anger	Outsource fruit import and preservation to professionals	None of us know how to preserve the fruit. I thought just need to put them in the fridge. We have many rotten mangos and sour pineapples...I decided to buy from professional importers rather than import myself. (entrepreneur)	A4: learning and adaptation
CE8	2013	Unmet performance, too busy to manage the fruit store and daughters are not interested in this business (no one can manage the business)	Grief Hope	Exit	No I’m not going to sell Firm E. Everyone knows I open this store, what if those people destroy my reputation...No I won’t hire professional managers, this business is just for me and my family, it’s more like a personal investment (entrepreneur) No I am not regretting about this (set up Firm E), it’s a great fun...of course I lost a lot (money), too ambitious; I was not familiar with this industry and knew little about fruit inventory control and preservation. Although I outsourced this to a professional company but I was too busy to manage it... I have experience, equipment and network, actually I was going to invest in ice cream made by Taiwanese fruit last year, but have no one to manage the shop. It’s interesting to open a small store selling something I like (entrepreneur)	A5: international exit Family Face (personal reputation) Other commitments Choose to close but not sell the company for family and reputation.

CE9	2009 until 2013	Informal institutions and formal institutions	Empathy	Learned and followed	<p>In general, Chinese are very friendly to Taiwanese. I heard many failed stories and owners blamed on corrupted government and unethical staff. It is not right. The reason why they have chance to destroy your company is because of yourself. There people go to erotic places or treat their staff like a donkey. Of course they failed (entrepreneur)</p> <p>“Well it’s true that they take bribery, and it’s not acceptable in many countries ...but this is the Chinese way and I learnt to accept it and follow it. Corruption never bother me, I am accustomed to the Chinese way of doing business. It’s a big problem for those who are not familiar with. For me, it’s like a shortcut to success. To think of it, it is much cheaper and more effective in achieving my goals.” (entrepreneur)</p>	A4: learning and adaptation Institutions Positive predispositions (see Quote E5)
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Critical incident of Firm F, Metal

Code	Year	What happened	How the entrepreneur feel	Action	Entrepreneur or other people’s description	Code (Variables)
CF1	1999	Identified the opportunity in China and invited by a friend (customers)	Confidence, passion	Set up 1 st factory in Nanjing	My friend invited me to go to China set up a plant for his company, well it sounds not bad, we all know Taiwan is a small market. For future development, I need to find a large and potential market for my company. I know how to manage people and he will send technicians. I have customers before I set up the business...Besides I want to see where my grandparent lives. My father always talks about his hometown...I want to have a try, to live and develop a business in where my father grows up.	A1: entry Personal goals, Positive predispositions Attachment to China
CF2	2000	Identified the trend of green products	Confidence, passion	Commit in R&D	My technicians told me it’s (green products) the future star, I did some research, talked to my customers and I felt there was a market. So I did it. Its exited to see Jo doing experiments, feels like I also contribute to the society by developing this new materials, I also support other university labs to develop new products, hope one day I don't need to purchase patent from Germany. Chinese do innovation too.	A1: opportunity pursuit Personal goals
CF3	2003	Identified the opportunity to produce specialized	Confidence, passion	Collaborate with local university, finance Jo’s		

		clothing		lab		
CF4	2005	Receive government notice to relocate plants to outskirts but receive no compensation	Anger, (Empathy)	Relocate the factory to new outskirts of Nanjing, accept the follow	I didn't want to talk about this...okay, first I received a notice from government asking us to move...I moved but receive nothing from the government, they only gave me the land...Of course I was angry, they took my land for their relatives. But what can you do? This is China and this is their ways. I was benefited from this before so I was prepared. This is the price you should pay in China. So I told myself at least I build a good relationship with them. I have a relocation plan anyway. (entrepreneur) Note: Empathy is not very strong, but he tried to understand "this is China" and accepted "I was prepared"	A4: learning and adaptation Formal institutions (Positive) predispositions
CF5	After 2004	Aware of the rising cost and identify the need for company transformation (from traditional industry to high tech)	Fear (worried)	Recruited Jo and his team from the university in 2006. Business transformation and automation	This is a trend and I can't escape from it. No negotiation with Chinese government, if they say 20%, you have to do it. It's scary to pay this amount. The only thing in my mind that time was "I must find a solution for this, I have more than 1000 employees, and this means 1000 families are rely on me. It is a heavy burden, but it is also my responsibility to ensure the operation of my firm"... (entrepreneur) I felt like innovation can be the solution. Previously, my profit range was 5-7% and now is much higher. Rising cost is not a problem anymore, I have order for the next 15 months and my customers is still queuing. Yes I keep investing in the lab. This is my competitive advantage... (entrepreneur)	A1: increase commitment Personal goals Positive predispositions Determination to stay overcome his fear
CF6	2007	Receive several international awards of specialized clothing	Confidence	Increase commitment in R&D, collaborated with Chinese government labs	Exit China is never my father's options, I remembered many of his friends moved to Vietnam and they invite him to join them. But he said no and hired Jo. It was a risky decision. I meant, we were just a traditional manufacturing firm with low profitability and my father hired a team of experts to do R&D... Yes I did ask him why, he said, what can I do, I don't want to go to Vietnam, I want to live here, it is more comfortable (entrepreneur's son).	
CF7	2008	Invitation from Chinese air force to set up a joint venture	Confidence	Second factory in city H, joint venture with Chinese air force	I can't tell you too much about this. This was an offer from the grandparents of my daughter in law. My second son liked this plan and I had to give face to my daughter in law... They had guanxi and I had the technology they need. So we worked and built up a plant. Yes, in the short-term, it was a good business; at least you didn't need to worry about the customers...(entrepreneur)	A1: opportunity pursuit and expansion Family Guanxi and Face

CF8	2011	Army want to take over the control of second plant	Fear (worried) Stress	Incrementally shift the focus to Nanjing factory	We have serious disputes with Chinese army; they want more control and more shares. I know they will take over the company one day, we are going to lose everything, and you can't fight with Chinese Government. I don't like China. I spent 5 years in USA and lived in UK with my wife for 5 years... I feel stressful in China, everything is so complicated particularly interpersonal and government relationship...(entrepreneurs' son)	A4: learning and adaptation Management problems Institutions
CF9	2012	Disputes with Army about management style and recruitment	Anger, Confidence	Diversified the company, use current network to prepare for "kicked out" by the army	I don't think it's a big problems, the worst case is they take everything...I am not saying I am happy with it, just this is an inevitable trend and I can foresee it before I collaborate with them, so I use this network to develop my core business. I never expect I can make big money from this; this is just for my second son and his wife...(entrepreneur) Note: Entrepreneurs seems to be confident and Sam seems to be angry and frustrated	
CF10	1999 until now	Informal institutions: Unspoken rules, corruption, Employee - employer conflicts	Empathy	Communicate and be open-minded, treat them like Taiwanese staff, being Zhongyong	My wife, my sons, and my grandchildren are all here, I am rooted in Nanjing...I am a Taiwanese and I love Taiwan, but Nanjing is my home and I must stay here. I commit so much in China ... There are still chances in China, this is a huge market and we have advantages...yes I agree with my son that there are problems, but compared to other markets like USA and Europe, China is much better. Every country has their own problems; I think Chinese government can manage it. (entrepreneur) I solved at least 30 cases of employer and employee conflicts. Although I am a Taiwanese, I have to say we are wrong. They are lack of "Zhongyong"... Most of cases were because of the attitude of Taiwanese entrepreneurs. They were too arrogant, lack of communication and tried to train their staff like a machine. This (management style) worked well 20 years ago but not now. Due to the one child policy, the young generations are the precious of family; you can't imagine what Chinese parents can do for their child... Thus, the old fashion way is not working anymore, you have to respect your staff, listen to their opinions, and use rewards instead of punishments. 20 years ago, Chinese workers could worked 16 hours per day to make money, but now, if you ask your workers to take extra hours they	A4: learning and adaptation Institutions Positive predispositions Family Personal goals Management problems

					<p>may just quit because they want to enjoy their life and their parents can feed them. They are the boss now. Many Taiwanese don't see this change and use militaristically formal management, that's why they experienced so many problems. You need to be considerable, humble, understanding your staffs and most importantly, build up a systemic management style and be hard-working to be their model...(entrepreneur)</p> <p>I have more than 1000 employees, and this means 1000 families are rely on me. It is a heavy burden, but it is also my responsibility to ensure the operation of my firm. I am an old-fashion person, and I don't like to fire my employees for efficiency and performance, that's American way not Chinese way. Entrepreneurs should be responsible for their people. When they enter your company, it is your job to carefully manage your company and support their life; it is a heavy load and a long road. I told my two sons if they want to sell my business in the future, they have to find a way to settle down these employees. They should to be appreciated because employees make the money to support their (his two sons) life. (entrepreneur)</p>	
CF11	1999 until now	Formal institutions: Copy right issues, imitation	Anger	Commit more in R&D, faster than the competitors	Chinese are copycat, they buy your product, copy it, change package and launch their new products. There is no way to stop it, the only thing we can is moving faster (entrepreneurs' son).	A1: increase R&D Institutions

Critical incident of Firm G, Construction

Code	Year	What happened	How the entrepreneur feel	Action	Entrepreneur or other people's description	Code (Variables)
CG1	2011	Married and have a family in China, identify opportunity in construction	Passion, confidence	Resignation and set up Firm G	I've been the general manager for Firm C for many years; it sounds not bad to be my own boss. (entrepreneur) China is a huge market and I can sense opportunities. I know this industry very well and it's interesting to bring something new to this market. This market has a great potential and everything is possible	A1: entry Family Personal goals Positive predispositions

					here (entrepreneur) I can do business everywhere; I can go back to Taiwan stay in Firm C or create my business. I can go to Vietnam with my friends. I can go to Thailand. My customers invite me to be the consultant. But I just want to stay in Nanjing because my family is here. (entrepreneur)	
CG 2	2011	Childbirth, want to make more money to support family's life, identify more opportunity,	Joy	Further commit in Firm G, collaborate with designers and introduce new services	My baby is just 2 years old and I want to participate his childhood. I don't have high expectation for my life. I only need a house, a car, a dog and enough money to support my family. I don't have much ambition and don't need much money. I only hope my family can be happy and healthy every day, that's it...I have to be more hardworking now, need to prepare the education expenses and even the first instalment for his house. (entrepreneur)	A1: increase commitment Family Personal goals Knowledge and network
CG 3	2013	Meet Malaysian wall paper paint manufacturer	Passion, confidence	Identify new opportunities and be the broker in construction material industry	China is a very unique market; they have been isolated for years that create a very different consumption style. For example, when my boss (Firm C) entered into China, we said we are going to sell PU because it is the best anti-leak paint, advanced and cheap. PU is our golden hen (best-selling product) in Taiwan. Jiangsu rains a lot and has serious leaking problems; we thought we could successfully enter into market... But we were wrong, in terms of product and pricing strategy. First, Chinese painters were used to another traditional material called Curve (paint), which was old fashion and no one used it anymore. We couldn't persuade painters to use PU because they were connected to Curve suppliers and used to Curve. Second, our pricing is wrong. The original strategy was 500 RMB per unit and gave 100 RMB to distributor, but this one didn't work. We had to increase the price to 700 RMB per unit and gave 300RMB to distributor, thus they were motivated to promote your products... Innovative and good products are not necessary work in China. The most important thing is how you share the profit with distributors and how you promote. Promoting a product is not by imagination and it is unpredictable. You have to learn carefully and use a humble attitude to learn from locals. I like to spend time with my retailers, talk to builders and workers. I found the way they use	A1: expansion Personal goals
CG 4	2011 until now	Informal institutions: Unspoken rule, bribery, gifting culture	Anger-> empathy and confidence	Learn and build guanxi		A4: learning and adaptation Institutions Positive predispositions

					<p>paint is totally different from Taiwanese and its very interesting. My understanding of this market was mostly from these informal conversations. This is something you never learn from reading a Marketing report. This is why many large foreign companies visit me for market information and collaboration. I know how to modify the product to Chinese style and how to communicate with Chinese distributors. (entrepreneur)</p> <p>My best advantage to survive in China is I am not stubborn. I am very flexible and open to any suggestions. I heard too many stories in China, including European investors. These people, including some Taiwanese, are too civilised, too stubborn and live in their own world. They lock themselves in 5 star hotels and eat KFC every day, how can they understand China and manage Chinese? You have to talk to locals and understand what they are thinking. China is not a country that you can follow the rules. For example, my staff takes commissions from suppliers. It sounds unacceptable and bad for company development. I know it and I pretend I don't know. In China, you need to close one eye sometimes. Don't be so quibble, what's the point to argue with your staff for taking commissions from a bulb even all bulbs in the factory. Taking commission makes them become more responsible about quality because they want to make it long-term. You just need to control the large spending, others can let it go. 3~5 % of total spending is a reasonable range if this makes my staff happier and work harder" (entrepreneur)</p> <p>Note: entrepreneur was angry in the beginning, but he learnt to calm down, analyse, and seek for help. He is still angry but anger will not dominate his brain anymore.</p>	
CG 5	201 1 unti l no w	Formal institutions: Overly bureaucratic government	Anger-> empathy	Accept and follow, use guanxi	<p>Yes the Chinese custom is horrible. They delayed my shipment again and again for some stupid reasons. But this happened in everywhere. Government is the most inefficient organization, this rule applies to every country...usually I just wait. But I can use my guanxi if necessary... (entrepreneur)</p>	A4: learning and adaptation Institutions Positive predispositions

CG 6	201 l unt l no w	Lack of skilled labour, rising cost, intensive competition	Fear (Worry), accept	x	Yes I am aware of these problems...yes a bit worried about it, but what can I do? This is the macro environment problems...I think we should be aware of these problems but not overly panic since all companies, including your competitors, are facing same problems. You have to stay positive and be ready to pursue new opportunities. There is an old Chinese saying that chances are only for those who are ready. (entrepreneur)	A2: do noting Institutions, labour costs
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Appendix D: Consent for Participation in Interview Research

I volunteer to participate in a research project conducted by Yang-pei Lin from the University of Edinburgh. I understand that the research is designed to collect data for academic purpose only.

我自願參與此次的研究,研究者為來自愛丁堡大學的林仰培 我瞭解此次的研究是為了收集學術資料,所收集的資料也僅供學術使用

1. My participation in this project is voluntary. I understand that I will not be paid for my participation.
我是自願參與此次研究,此研究並不會提供任何報酬
2. I may withdraw and discontinue participation at any time without penalty.
我有權利可以隨時終止參與
3. I understand that most interviewees in will find the discussion interesting and thought-provoking. If, however, I feel uncomfortable in any way during the interview session, I have the right to decline to answer any question or to end the interview.
我瞭解有些討論會帶來情緒上的波動,我如果覺得不適當,我有權利拒絕回答任何問題
4. The interview will last 30-60 minutes depend on situation. Notes will be written during the process, and this interview will be recorded for academic purpose.
此次採訪約略 30-60 分鐘,依情況而定,我瞭解研究者會在採訪中做筆記並且錄音,這些資料僅供學術使用
5. I understand that the researcher will not identify me by name and my company in any reports using information obtained from this interview, and that my confidentiality as a participant in this study will remain secure. Subsequent uses of records and data will be subject to standard data use policies which protect the anonymity of individuals and institutions
我瞭解我的匿名權利,研究者不會提及我的名字及我的公司,我的參與將會被保密,之後的關於我此次採訪的資料使用將會受到標準資料保護政策的保護,確保我匿名的權利
6. I have read and understand the explanation provided to me. I have had all my questions answered to my satisfaction, and I voluntarily agree to participate in this study.
我仔細的閱讀並且瞭解研究者所提供的資訊,我自願且沒有疑問的參與此次的研究
7. I have been given a copy of this consent form.
我收收到這份協議書

My Signature Date My Printed Name

Signature of the Investigator

For further information, please contact:

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